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Policy Review

Government Sanctioned Restraints That Reduce Economic Opportunities for Minorities
WALTER E. WILLIAMS

The End of Salt? U.S.—U.S.S.R. Negotiations
COLIN S. GRAY

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The Crisis in Southern Africa
JULIAN AMERY

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Inside Policy Review

WALTER E. WILLIAMS is Associate Professor of Economics in Temple University, Philadelphia. He received his PhD degree from the University of California at Los Angeles, has served as a National Fellow at the Hoover Institution of Stanford University and has published economic studies in *The American Economic Review, Social Science Quarterly* and other academic journals.

In 1977, Dr. Williams prepared a 59-page study for the Joint Economic Committee of the U.S. Congress on the minimum wage. He argued that the minimum wage law is injurious to the employment prospects of teenagers, racial minorities, and the physically handicapped. He suggested that the best way to help marginal workers is to abolish the federal and state minimum wage laws and to reduce monopolistic union practices.

In this article, Dr. Williams expands on the points made in his study for the Congress and addresses the larger question of unintended government restraints on minority economic progress in general. On September 1, 1977, the current essay was published in pre-print form; it was cited or quoted extensively in over 2000 newspapers around the nation. William Raspberry, the syndicated columnist for *The Washington Post* wrote (on September 9, 1977) that:

> I've also been re-reading Walter Williams, the black economics professor from Temple University who was in town recently to testify against the proposed increase in the minimum wage . . . [He contends] it disadvantages young people generally by making it attractive to hire older workers.
>
> The additional disadvantage to minority youths, says Williams, is that the minimum wage law permits employers to indulge their racial prejudices *without cost.* 'Suppose,' he has written in an article to be published by *Policy Review,* 'an employer has a dislike for blacks relative to whites. For simplicity, we assume that the workers who are to be employed do not differ except by race. If there is a law, such as a minimum-wage law, that requires that employers pay the same wage, no matter who is hired, then the employer can discriminate at *zero cost.*'

COLIN S. GRAY is a professional staff member of the Hudson Institute of New York (directed by Herman Kahn). He is the holder of a D.Phil. degree from Oxford University and has served as an assistant director of the International Institute for Strategic Studies in London. He is the author of *The Soviet—American Arms Race* (1976) and of the forthcoming work *Strategic Studies and Public Policy.* He is also a co-author of *U.S. Strategy in the Decade Ahead* which will be published this winter.

He maintains that: "A worthwhile SALT 2 Treaty is not negotiable in 1977. But some clear thought in 1977 could vastly improve the prospects for SALT in 1979 or 1980. However, the President, who for reasons that are very obscure indeed feels himself indebted to the liberal arms-control establishment, is likely to resist strongly the realities of the SALT negotiations."

According to Dr. Gray, the United States should seriously consider postponing a further SALT treaty until it is willing to make the necessary

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commitment to a stronger defense posture to allow our negotiators to bargain from a position of strength.

DANIEL ORR has just been appointed chairman of the economics department, Virginia Polytechnic Institute and State University. Earning a PhD degree from Princeton University, he taught at the University of Chicago, Amherst College and the University of California, San Diego. He has been a Ford Foundation Fellow and is the author of numerous economic studies.

In *Policy Review,* he presents a new proposal for social security reform which would gradually move the system in the direction of greater private participation and fiscal soundness. He argues that his proposal would lead to an increase in private saving and investment and in the Gross National Product. Capital ownership would also be more widespread throughout the population. Both retired persons and the working population would be better off.

ROBERT CONQUEST is presently a fellow of the Hoover Institution of Stanford University; he has been a research fellow at the London School of Economics, Columbia University and the Woodrow Wilson International Center for Scholars. He was recently awarded Oxford University's highest degree, the D.Litt. A poet, he is also the author of several books on the Soviet Union, including *Common Sense About Russia, Power and Policy in the U.S.S.R., Lenin, The Nation Killers* and *The Great Terror.* He is also a frequent contributor to *Foreign Affairs, Encounter,* and *Commentary.*

The present essay is a revised version of his testimony before the Subcommittee on Europe and the Middle East of the Committee on International Relations of the U.S. House of Representatives. He argues that the Soviet rulers come from a background quite different from that of Western leaders and that we should not expect them to change too rapidly.

CHARLES LONGSTREET WELTNER is presently a Judge of the Atlanta Judicial Circuit. A graduate of Columbia University Law School he represented the Fifth District of Georgia in the U.S. Congress from 1962 to 1966 when he declined to run for re-election since he could not support the entire Democratic ticket (which included a segregationist). In 1964, he was one of a very small number of Southern Representatives who voted for the Civil Rights Bill. He has served as deputy chairman of the Democratic National Committee and is the author of *Southerner.*

He provides here a first hand account of how he helped to shepherd the Model Cities Bill through Congress and how he later worked to make the program successful in his own District in Atlanta. He analyzes the concrete results of the program over a ten year period and reluctantly (and sadly) concludes that the large amount of federal money spent had little, if any, positive effect on the lives of the people involved.

The author wishes to thank James Penland who assisted in the research and the Southern Investigative Project of the Southern Regional Council, Atlanta, which funded the research.

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The Rt. Hon. JULIAN AMERY, M.P., is a senior Member of the British Parliament specializing in foreign and defense policy. Since 1958, he has held ministerial posts in several Conservative governments, including Secretary of State for Air. From 1972 to 1974 he was Minister of State at the Foreign and Commonwealth Office. After serving as a war correspondent in the Spanish Civil War he joined the RAF as an enlisted man in 1940. He was first elected to Parliament in 1950. He is the author of *The Life of Joseph Chamberlain* and other books. Mr. Amery is very familiar with African affairs and has visited that continent many times, most recently in August 1977.

He argues forcefully in this essay that the Southern African policies of both the Callaghan and Carter administrations are leading to a New Yalta for Britain and America in Africa. He maintains that both London and Washington are engaging in "competitive subversion" in that part of the world; although it is not its intent, Anglo-American diplomacy seems bent on assisting the aims of the New Soviet Imperialism. He points out that the Owen-Vance proposals for Rhodesia represent a shift away from the principle of majority rule toward a solution which will end the fighting and command "international support" (i.e., be agreeable to the front line presidents and the Soviets.) He urges a different policy: one that encourages *true* majority rule in both Namibia and Rhodesia and which safeguards the vital strategic interests of the West in Southern Africa.

Reviews of books were written by ROBERT J. SMITH (who is writing a book on the application of free market principles to environmental problems), WILLIAM SCHNEIDER, JR. (co-editor of *Arms, Men and Military Budgets*), DAVID A. WILLIAMS (policy analyst with The Heritage Foundation and a former economics professor at the University of Dallas) and MILTON COPULOS (policy analyst with The Heritage Foundation).

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Editorial Note

Judging by the indicators available it seems fair to say that the articles published thus far in *Policy Review* have been of use to those whose job it is to make, comment upon, report, analyze and criticize foreign and domestic policies.

Walter Williams' essay on the government sanctioned restraints which have reduced economic opportunities for minorities in this country appeared as a preprint on September 1. Over 2000 newspapers have thus far made use of extensive quotes and excerpts from this challenging article. *The Washington Post*'s syndicated writer, William Raspberry, as one example, had a long discussion with Walter Williams and wrote a thoughtful column on the unemployment problem (in which he also made use of the article by Kenneth Clarkson and Roger E. Meiners in the Summer issue). Five other articles have been re-printed elsewhere in whole or in part.

About a hundred Congressmen from both parties (and several European parliamentarians) have also written to say they found one or more articles of use; a number have been re-published in the *Congressional Record.*

Some months ago Ernest W. Lefever (a former Brookings Scholar who now directs the program in ethics and public policy in Georgetown University's Kennedy Institute) stirred a small controversy by his *New York Times* Op-ed piece on "The Rights Standard." He is now writing a full-length article on the problem of human rights and national security in foreign policy. Stephen Haseler of the British Labor Party (whose essay on the failures of social democracy was just published in December's *Commentary*) will discuss recent intellectual trends to the Right and the Left in English language newspapers and journals. A recently retired Foreign Service Officer, John Krizay, has contributed a lively critique, entitled "Clientitus, Corpulence and Cloning – The Symptomotology of a Sick Department." We hope the other articles will be of equal interest to our readers.

R.L.S.

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Introducing the Editorial Board

The Publisher, EDWIN J. FEULNER, JR., is the President of The Heritage Foundation. He was formerly Executive Director of the Republican Study Committee in the U.S. House of Representatives and has served as an aide to Secretary of Defense Melvin R. Laird and to Rep. Philip M. Crane. He was educated at the Wharton School of Finance, the London School of Economics, and other colleges. He is the author of *Congress and the New International Economic Order*, the editor of *China—The Turning Point* and co-author of six other books. He is a member of the International Institute for Strategic Studies and the Mont Pelerin Society.

The Editor, ROBERT L. SCHUETTINGER, is Director of Studies of the Heritage Foundation. He was formerly a foreign policy aide in the U.S. House of Representatives and has taught political science at The Catholic University of America, St. Andrews University in Scotland and Yale University. He studied at Columbia, Oxford and the University of Chicago's Committee on Social Thought. He is the author of the newly-published *Lord Acton: Historian of Liberty*, and of *Saving Social Security, Forty Centuries of Wage and Price Controls*, and *A Research Guide to Public Policy*; he is also the co-author of six books in international relations. He is a member of the Policy Studies Organization, the International Institute for Strategic Studies and the Mont Pelerin Society.

The Chairman of the Editorial Board, DAVID I. MEISELMAN, directs the graduate economics program at Virginia Polytechnic Institute in Reston. He has taught at the University of Chicago, The Johns Hopkins University and Macalaster College; he has also served as a senior economist with the Committee on Banking and Currency in the U.S. House of Representatives and as a consultant to several government agencies. He is the editor of *Varieties of Monetary Experience* and the author of several other books and numerous articles. A former President of the Philadelphia Society, he is also a member of the Mont Pelerin Society.

GEORGE F. GILDER has been a Fellow of the Kennedy Institute of Politics at Harvard and a staff aide to Senators Jacob Javits and Charles McC. Mathias. He has served as Managing Editor of *The New Leader* and as an editor of *The Ripon Quarterly*. The author of two books in sociology, he is currently working on a study of unemployment.

STEPHEN HASELER will be a Distinguished Scholar in the Heritage Foundation during the academic year 1977-78 doing research on Eurocommunism. The author of *The Gaitskellites* and *The Death of British Democracy*, he is working on a biography of Ernest Bevin.

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Government Sanctioned Restraints that Reduce Economic Opportunities for Minorities

WALTER E. WILLIAMS

Racial problems have always been an important part of the U.S. sociological landscape. At different times different racial groups posed different problems. But somehow in the past the group problem vanished or at least caused little attention. Handicapped immigrants such as the Irish, Italian, Polish, Japanese and Chinese assimilated, as a group, into America's great melting pot.

Newer minorities, however, using group urbanization as a general benchmark, have not "melted" as readily—namely blacks and Latins. This fact has given rise to considerable public policy discussion. Numerous legislative bills to further civil rights have been enacted. There have been thousands of cases of individual or class litigation. There has been a plethora of federal, state and local programs of one kind or another costing taxpayers literally billions of dollars. In addition to these direct costs, there are indirect costs that have been incurred as a result of governmental policy to assist minorities which cannot be readily measured in dollars. These costs include the racial antagonisms generated through government policy. These antagonisms result from policies such as racial hiring quotas, the busing of children and so forth.

The public, including past disadvantaged minorities, often protest against the special treatment accorded blacks. They say that they made it into America's mainstream without the "handouts" that go to today's disadvantaged groups. Moreover, they could point to the disappointing progress that a very large segment of the minority population has made in spite of the billions of dollars spent over nearly two decades. One of the saddest features of the problem is that society is coming to view the difficulty that today's minorities face in entering the mainstream of society as a manifestation of group incompetence. Hardly anyone acknowledges that many, if not most, of the problems encountered *are neither* due to group nor individual incompetence but rather due to the excesses of governments dominated by politically powerful interest groups.

Some of the ways that minorities are handicapped by governmental policy is the subject of this essay. In order to provide a general

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framework for the ensuing discussion, the first part of this essay will briefly discuss some basic economic theorems which are probably known to most but are often forgotten in the analysis of race and public policy. The second part of the discussion will focus directly on some of our institutions that reduce economic opportunities for minorities. The third section will briefly consider reforms necessary in America's legal structure that will promote greater equality of opportunity for all people.

I

The First Fundamental Law of Demand

Economic theory is the study of the allocation of *scarce* resources among competing alternative uses. A key word in that definition is scarcity. Scarcity (not shortage) is defined as a set of circumstances where human wants *exceed* the means to satisfy those wants. The means to satisfy human wants consists of the world's resources which are finite. However, for all intents and purposes we may consider that human wants are insatiable. That is, the bounds on human wants do not frequently reveal themselves; it appears that no matter what a person has accumulated he always wants something else. The significance of scarcity is that it requires that *choices* be made. Among the choices that scarcity forces us to make is who shall have rights to use those goods and services available to the society. There are a number of ways that the question of who gets what can be decided: violence, government fiat, gifts and market allocation are among the alternatives. Most societies, including ours, employ a mixture of these methods of allocation.

Whatever the method selected to allocate resources over competing usages, choice implies sacrificed alternatives, e.g., when one chooses to spend for a house, he foregoes the alternative of spending those *same* resources for a car. The notion of choice and foregone alternatives permits us to make an important observation about human behavior, namely, the higher the cost of the foregone alternative to acquire an additional unit of an object of desire, the fewer will be the units actually acquired. Many will recognize this characterization of human behavior as the first fundamental Law of Demand, more formally stated: "Whatever quantity of any good purchased at any particular price, a sufficiently higher price will induce any person to purchase less" or "The higher the price of

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something the lower will be its rate of consumption." The Law of Demand is general and applies to *all* goods (objects of desire) and all societies.

Human personal characteristics are objects of desire. People do exhibit preferences for physical and non-physical human characteristics. Among the many human personal characteristics that people exhibit preferences for are: race, sex, religious and political affiliation, height, weight, congeniality, beauty and so forth.[1] All of these preferences are subject to the Law of Demand: the lower the price to indulge a preference for a personal characteristic the higher will be the rate of indulgence and conversely the higher the price, the lower will be the rate of preference indulgence.[2] In our society there are a number of laws and institutions which *lower* the cost of racial preference indulgence or alternatively stated which make economic decisions depend more on personal characteristics such as race. Aside from racial preference indulgence (and more significantly) these institutions also foster other kinds of preference indulgence that are disproportionately borne by disadvantaged people as a class. It is unfortunate that in many cases the *stated* intention of many laws is to help disadvantaged or less preferred people but the effects are to reinforce the disadvantage that they suffer.

II

Policies That Reduce Economic Opportunities for Minorities

In general there are two conditions operating singly or in combination, that give rise to a higher probability of preference indulgence. One condition is that there be attenuated rights to pecuniary income. The second, which is a variant of the first, is that there be

1. Despite the fact that the holding of some preferences offend the sensibilities of some people, there is no known scientific way of deciding which preferences are "good" or which are "bad." About the only objective statement that can be made about preferences is that people exhibit them. Most people marry members of their own race; many do not associate with criminals, people who bathe infrequently, etc. Can we prove that people who do the opposite are wrong?

2. It is not the intent of this essay to more rigorously develop the Law of Demand to demonstrate its general applicability. The interested reader should see, Armen A. Alchian and William R. Allen, *University Economics* (California: Wadsworth Publishing Company, Inc., 1972).

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restrictions on voluntary exchange, namely legal agreements that permit a third party to dictate or sanction the terms of exchange. These conditions and their effects will be discussed in turn. While we discuss the *effects* of laws that restrict exchange, it must be kept in mind that for a particular law to produce a racial effect does not require it to have a racial *intent*. Many laws define the "rules of the game" in meeting some other social objective in a way disadvantageous to minorities and other less preferred people. These effects must be weighted in reaching collective decisions.

The Minimum Wage Law

Federal and State minimum wage laws are an act of governmental intervention in the labor market that is intended to produce a pattern of events other than that produced in a free market. In practice legislated minima specify a legal minimum hourly wage that can be paid. The legislated minima raises the wage to a level higher than that which would have occurred with free market forces.

Legislative bodies have the power to legislate a wage increase, but unfortunately, they have not found a way to legislate a worker productivity increase. Further, while Congress can legislate the price of a labor transaction, it cannot require that the transaction actually be made. To the extent that the minimum wage law raises the pay level to that which may exceed the productivity of some workers, employers will predictably make adjustments in their use of labor. Such an adjustment will produce gains for some workers at the expense of other workers. Those workers who retain their jobs and receive a higher wage clearly gain. The adverse effects are borne by those workers who are most disadvantaged in terms of marketable skills, who lose their jobs and their income or who are not hired in the first place.

This effect is more clearly seen if we put ourselves in the place of an employer and ask: If a wage of $2.30 per hour must be paid no matter who is hired, what kind of worker does it pay to hire?[3] Clearly the answer, in terms of economic efficiency, is to hire workers whose productivity is the closest to $2.30 per hour. If such workers are available, it clearly does not pay the firm to hire those workers whose output is, say, $1.50 per hour. Even if the employer were willing to

3. Actually the cost to the employer is higher because, in addition to wages, he pays fringe benefits such as Social Security, medical insurance and the like.

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train such a worker, the fact that the worker must be paid an amount higher than his output is worth plus the training cost incurred makes on-the-job training an unattractive proposition.

The impact of legislated minima can be brought into sharper focus if we ask the distributional question: Who bears the burden of the minimum wage? As suggested earlier, the workers who bear the heaviest burden are those that are the most marginal. These are workers who employers perceive as being less productive or more costly to employ than other workers. In the U.S. labor force, there are at least two segments of the labor force who share the marginal worker characteristics to a greater extent than do other segments of the labor force. The first group consists of youths in general. They are low skilled or marginal because of their age, immaturity and lack of work experience. The second group, which contains members of the first group, are some racial minorities such as Negroes, who as a result of racial discrimination and a number of other socioeconomic factors, are disproportionately represented among low skill workers. These workers are not only made unemployable by the minimum wage, but their opportunities to upgrade their skills through on-the-job training are also severely limited.[4]

It is no accident that it is precisely these labor market participants who are also disproportionately represented among the unemployment statistics. Youth unemployment, even during relatively prosperous times, ranges from two to three times that of the general labor force. *Black* youth unemployment ranges from three to five times that of the general labor force. Black youth unemployment, nationally for more than the last decade, has ranged from two to three times the unemployment rate for white youths. In some metropolitan areas it is reported that black youth unemployment exceeds fifty percent!

4. It is important to note that most people acquire work skills by working at "subnormal wages" which amounts to the same thing as paying to learn. For example, inexperienced doctors (interns), during their training, work at wages which are a tiny fraction of that of trained doctors. College students forego considerable amounts of money in the form of tuition and foregone income so that they may develop marketable skills. It is ironic, if not tragic, that low skilled youths from poor families are denied an opportunity to get a start in life. This is exactly what happens when a high minimum wage forbids low skilled workers to pay for job training in the form of a lower beginning wage. It must be remembered that teenagers are not supporting families and in most cases are living at home and hence could afford to "pay" for their training.

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The economic effects of minimum wage legislation have been analyzed in sophisticated econometric studies which could be read by the interested reader.[5] While there is some debate over the magnitude of the effects, the weight of academic research by economists points to the conclusion that unemployment for some population groups is directly related to statutory wage minima and that the unemployment effects of the minimum wage law are felt mostly by nonwhites. Professor Jacob Mincer, in an important statistical study of minimum wage laws, reports:[4]

> The net minimum wage effects on labor force participation appear to be negative for most of the groups. The largest negative effects are observed for nonwhite teenagers, followed by nonwhite males (20-24), white teenagers, and nonwhite males (25-64).
>
> The net employment effects are negative with the exception of nonwhite females (20+), for whom the positive coefficient is statistically insignificant. The largest disemployment effects are observed for nonwhite teenagers, followed by nonwhite males (20-24), white teenagers, and white males (20-24).

While most people are familiar with the more recent statistics on black youth unemployment, not many are aware of black/white youth employment statistics for earlier periods which are shown in Tables 1 and 2. In 1948, black youth unemployment was roughly the same as white youth unemployment. For that year, blacks aged 16-17 had an unemployment rate which was *less* than whites of the same age—9.4 percent unemployed compared to 10.2 percent whites unemployed. In the same period (until the mid-sixties), black youth generally were either just as active in the labor force, or *more* so than

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5. See, David E. Kaun, "Minimum Wages, Factor Substitution, and the Marginal Producer," *Quarterly Journal of Economics* (August, 1965), pp. 478-486; Yale Brozen, "The Effect of Statutory Minimum Wages on Teenage Unemployment," *Journal of Law and Economics* (April, 1969), pp. 109-122: Marvin Kosters and Finis Welch, "The Effects of Minimum Wages on the Distribution of Changes in Aggregate Employment," *American Economic Review* (June, 1972), pp. 323-332; William G. Bowen and T. Aldrich Finegan, *The Economics of Labor Force Participation* (Princeton University Press, 1969); Edmund S. Phelps, *Inflationary Policy and Unemployment Theory* (New York: W. W. Norton and Company, 1972); Arthur F. Burns, *The Management of Prosperity* (New York: Columbia University Press, 1966); Thomas G. Moore, "The Effect of Minimum Wages on Teenage Unemployment Rates," *Journal of Political Economy* (July/August, 1971), pp. 897-902.

4. Jacob Mincer, "Unemployment Effects of Minimum Wages," *Journal of Political Economy* (August, 1976), pp. 87-105.

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TABLE 1.
Male Civilian Labor Force Participation Ratio by Race, Age

		B/W Males 16-17	B/W Males 18-19	B/W Males 20-24	B/W Males 16 and over
	1954	.99	1.11	1.05	1.00
	1955	1.00	1.01	1.05	1.00
1.00/hr	1956	.96	1.06	1.01	.99
	1957	.95	1.01	1.03	.99
	1958	.96	1.03	1.02	1.00
	1959	.92	1.02	1.04	1.00
	1960	.99	1.03	1.03	1.00
1.15/hr	1961	.96	1.06	1.02	.99
	1962	.93	1.04	1.03	.98
1.25/hr	1963	.87	1.02	1.04	.99
	1965	.88	1.01	1.05	.99
	1966	.87	.97	1.06	.98
1.40/hr	1967	.86	.95	1.04	.97
1.60/hr	1968	.79	.96	1.03	.97
	1969	.77	.95	1.02	.96
	1970	.71	.92	1.00	.96
	1971	.65	.87	.98	.94
	1972	.68	.85	.97	.93
	1973	.63	.85	.95	.93
2.00/hr	1974	.65	.85	.95	.92
2.10/hr	1975	.57	.79	.92	.91
2.30/hr	1976	.57	.77	.91	.90

SOURCE: Computed from U.S. Department of Labor, Bureau of Labor Statistics, *Handbook of Labor Statistics* 1975—Reference Edition (Washington, D.C.: U.S. Government Printing Office, 1975), pp. 36-37; U.S. Department of Labor, Bureau of Labor Statistics, *Employment and Unemployment in 1976:* Special Labor Force Report 199 (Washington, D.C.: U.S. Government Printing Office, 1977)

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TABLE 2.
Comparison of Youth and General Unemployment by Race (Males)

Year	General	White 16-17	Black 16-17	B/W Ratio	White 18-19	Black 18-19	B/W Ratio	White 20-24	Black 20-24	B/W Ratio
1948	3.8	10.2	9.4	.92	9.4	10.5	1.11	6.4	11.7	1.83
1949	5.9	13.4	15.8	1.18	14.2	17.1	1.20	9.8	15.8	1.61
*1950	5.3	13.4	12.1	.90	11.7	17.7	1.51	7.7	12.6	1.64
1951	3.3	9.5	8.7	.92	6.7	9.6	1.43	3.6	6.7	1.86
1952	3.0	10.9	8.0	.73	7.0	10.0	1.43	4.3	7.9	1.84
1953	2.9	8.9	8.3	.93	7.1	8.1	1.14	4.5	8.1	1.80
1954	5.5	14.0	13.4	.96	13.0	14.7	1.13	9.8	16.9	1.72
1955	4.4	12.2	14.8	1.21	10.4	12.9	1.24	7.0	12.4	1.77
*1956	4.1	11.2	15.7	1.40	9.7	14.9	1.54	6.1	12.0	1.97
1957	4.3	11.9	16.3	1.37	11.2	20.0	1.70	7.1	12.7	1.79
1958	6.8	14.9	27.1	1.81	16.5	26.7	1.62	11.7	19.5	1.66
1959	5.5	15.0	22.3	1.48	13.0	27.2	2.09	7.5	16.3	2.17
1960	5.5	14.6	22.7	1.55	13.5	25.1	1.86	8.3	13.1	1.58
*1961	6.7	16.5	31.0	1.89	15.1	23.9	1.58	10.0	15.3	1.53
1962	5.5	15.1	21.9	1.45	12.7	21.8	1.72	8.0	14.6	1.83
*1963	5.7	17.8	27.0	1.52	14.2	27.4	1.83	7.8	15.5	1.99
1964	5.2	16.1	25.9	1.61	13.4	23.1	1.72	7.4	12.6	1.70
1965	4.5	14.7	27.1	1.84	11.4	20.2	1.77	5.9	9.3	1.58
1966	3.8	12.5	22.5	1.80	8.9	20.5	2.30	4.1	7.9	1.93
*1967	3.8	12.7	28.9	2.26	9.0	20.1	2.23	4.2	8.0	1.90
*1968	3.6	12.3	26.6	2.16	8.2	19.0	2.31	4.6	8.3	1.80
1969	3.5	12.5	24.7	1.98	7.9	19.0	2.40	4.6	8.4	1.83
1970	4.9	15.7	27.8	1.77	12.0	23.1	1.93	7.8	12.6	1.62
1971	5.9	17.1	33.4	1.95	13.5	26.0	1.93	9.4	16.2	1.72
1972	5.6	16.4	35.1	2.14	12.4	26.2	2.11	8.5	14.7	1.73
1973	4.9	15.1	34.4	2.28	10.0	22.1	2.21	6.5	12.6	1.94
*1974	5.6	16.2	39.0	2.41	11.5	26.6	2.31	7.8	15.4	1.97
*1975	8.1	19.7	45.2	2.29	14.0	30.1	2.15	11.3	23.5	2.08
*1976	7.0	19.7	40.6	2.06	15.5	35.5	2.29	10.9	22.4	2.05

Source: Adapted from Department of Labor, Bureau of Labor Statistics, *Handbook of Labor Statistics* 1975—Reference Edition (Washington, D.C.: U.S. Government Printing Office, 1975), pp. 153-55; U.S. Department of Labor, Bureau of Labor Statistics, *Employment and Unemployment in 1976*, Special Labor Force Report 199 (Washington, D.C.: U.S. Government Printing Office, 1977).

*Shows change in the Federal minimum wage law.

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white youths. By 1976, both the labor force participation rate and the employment rate of black youths fell to what it is today. For black youths 16-17 years old, their labor force participation rate is now slightly over one-half that of white youths while earlier their labor force participation rate was higher than white youths.

Faced with these facts, one naturally asks why have labor market opportunities deteriorated so precipitously for black youth? Can racial discrimination explain this kind of reversal? Probably not. It would be a very difficult task for anyone to support the argument that employers have become more racist than they were in the past. The answer lies elsewhere as has already been suggested; it lies in the effects of the minimum wage law.

Earlier it was suggested that when a wage is legislated that exceeds worker productivity firms will have an inducement to make adjustments in their use of labor. One type of adjustment is to hire not only *fewer* youths but to seek, among those youths hired, *more highly qualified youths*. As it turns out, for a host of socioeconomic reasons, white youths, more often than black youths, have better educational backgrounds and training. Therefore, the legislation of a minimum wage law can, as reflected in unemployment statistics, be expected to impose a greater burden on black youths than on white youths because black youths tend to be less qualified.

Minimum Wage and Racial Discrimination

The racial effect of the minimum wage law would exist in the *absence* of racial preferences on the behalf of employers. The minimum wage law gives firms effective economic incentive to seek to hire only the most productive employees which means that firms are less willing to hire and/or train the least productive employee which includes teenagers and particularly minority teenagers. But holding all else constant, such as worker productivity, the minimum wage law gives firms incentive to indulge whatever racial preferences that they may hold. The reason is that the minimum wage law prevents the worker or job-seeker from offering a compensating difference.[6]

6. The principle of "compensating differences" refers to the omni-present practice whereby buyers and sellers offset perceived disadvantages by making side payments. For example, less preferred Burgundy wine competes with the more preferred Burgundy by selling for a lower price. Less preferred paintings, meat, whiskeys, athletes, lawyers, carpenters all compete with their more preferred counterparts by offering the buyer a compensating difference, i.e., they sell at a lower price.

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To see how the minimum wage law can raise the probability of employment discrimination, we have to recognize that *money profits* are not the only form of compensation a businessman can earn. The return from business consists of a non-money component as well. That is, an employer, in addition to profits, prefers what he considers desirable working conditions. More "desirable" working conditions may consist of plusher carpets, finer furniture, prettier secretaries, and more likeable employees. The quantities that he chooses of "more desirable working conditions" depends on the cost (price) as predicted by the Law of Demand.

Suppose an employer has a dislike for blacks relative to whites. For simplicity, we assume that the workers who are to be employed do not differ except by race. If there is a law, such as a minimum wage law, that requires that employers pay the same wage, no matter who is hired, then the employer can discriminate at *zero cost*. However, if there were no minimum wage and blacks were willing to work for a lower wage, the cost to the employer to choose whites over blacks would be positive. The cost is the difference between the wages. The market would penalize such an employer because there would be firms that would hire blacks and through lower production costs tend to drive discriminating firms out of business. This line of reasoning follows from the Law of Demand. The argument is given additional weight when we recognize that even during relatively racially hostile times black unemployment was less and labor force participation rates higher than in "racially enlightened" times.[7] That is, to the extent that a black was willing to, and was permitted to, work for a lower wage than a white there was a positive cost to the employer to indulge his racial preference.

The notion that it is sometimes necessary for some individuals to lower their price in order that some kinds of transactions can occur is offensive to the sensibilities of many people. These people support the minimum wage law as a matter of moral conviction motivated by concerns for equity in the distribution of wealth. However, these people should know that white racist unions in South Africa have also been supporters of minimum wage laws and equal-pay-for-equal-work laws for blacks. In South Africa, where the racial climate

7. In 1910, 71 percent of blacks over 9 years of age were employed compared to 51 percent for whites. See U.S. Bureau of Census, *Negro Population, 1790-1915* (Washington, D.C. 1918), pp. 166, 503-504.

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is perhaps the most hostile in the world, *The New York Times* reports that:

> Right wing white unions in the building trades have complained to the South African Government that laws reserving skilled jobs for whites have broken down and should be abandoned in favor of equal-pay-for-equal-work laws . . . The conservative building trades made it clear they were not motivated by concern for black workers but had come to feel that legal job reservation had been so eroded by Government exemptions that it no longer protected the white worker.[8]

To understand how job reservation laws became eroded requires only two bits of information: (1) during the post World War II period there was a significant building boom in South Africa and (2) black skilled workers were willing to accept wages less than 25 percent of those wages paid to white skilled workers. Such a differential made racial discrimination in hiring a costly proposition. That is, firms who choose to hire whites instead of blacks paid dearly—$1.91 per hour versus .39 cents per hour. White racist unionists well recognized that equal-pay-for-equal-work laws would lower the cost of racial discrimination and thus improve their competitive position in the labor market.

Unions in the United States are also major advocates of the minimum wage law. While U.S. unions may have different motivations for their actions, we must remember that the effects of behavior are not necessarily determined by and may bear no relation to stated intents of behavior. However, a good argument can be made for intent. Economists agree that for many activities low-skilled labor is a substitute for high-skilled labor. The market power of a high-skilled worker is influenced by the availability of substitute labor. If high-skilled workers can reduce or eliminate substitutes for their services, *ceteris paribus*, they can command higher wages. A numerical example will make this clear.

Suppose a fence can be produced by using either one high-skilled worker or by using *three* low-skilled workers. If the wage of high-skilled workers is $38.00 per day and that of an individual low-skilled worker is $13.00 per day, the firm would employ the high-skilled worker because costs would be less ($38.00 versus $39.00). The high skilled worker would soon recognize that one of the ways

8. *The New York Times,* November 28, 1972.

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to increase his wealth is to advocate a minimum wage of, say, $20.00 per day in the fencing industry. The arguments the high-skilled worker would use to gain political support would be those given by George Meany: "to raise the standard of living," "prevention of worker exploitation," "worker equality," and so forth. After the enactment of the minimum wage law, the high-skilled worker can now demand any wage up to $60.00 per day and retain employment.[9] Prior to the enactment of the minimum wage of $20.00 per day such a demand would have cost the high-skilled worker his job. The effect of the minimum is to price the high-skilled worker's competition out of the market.

Whether the example given here accurately describes the *motives* of labor unions is not at issue. The effects of behavior of union action do not depend on motivations. However it is worthwhile noting that the restrictive activities that are promoted by unions do reduce employment opportunities and therefore the income of those forced out of the labor market. This fact suggests that as part of union restrictive strategy there must also be support for an incomes policy. The reason is that large numbers without jobs and income represents a potentially dangerous political powder keg. Therefore, unions have incentives to support programs which provide income for those denied job market access. Thus it is very probable that unions will lead the support for income subsidy programs such as welfare, Job Corps, Summer Work Programs, the Food Stamp Program, Public Service Employment, etc. All of these forms of income maintenance represent a redistribution of income from society at large to those who have had market opportunities eliminated for them. This redistribution in effect constitutes a subsidy to those who have restricted the markets in the first place. Income maintenance programs *disguise* the true effects of restrictions created by unions and other economic agents by casting a few "crumbs" to those denied jobs in order to keep them quiet thereby creating a permanent welfare class.

The proposed 1977 amendments to raise the minimum wage and index it to the average wage of production workers in manufacturing will have serious unemployment consequences for youth. The *rise* in the minimum wage will raise unemployment. Gramlich shows that a 25 percent increase lowers employment of low wage youth by

9. The effectiveness of the wage demand also depends upon the elasticity of substitution of capital for labor.

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10 to 15 percent. This calculation implies that a rise in the minimum wage from $2.30 to $2.85 per hour will decrease low wage youth employment by 9.6 percent to 14.4 percent.[10] *Indexing* the minimum wage will reinforce the unemployment effects of the rise in it. Inflation has the effect of lowering the *effective* minimum wage. That is, inflation lowers the *real* wage, i.e., the money wage deflated by the price index. Therefore, if inflation can be said to have a beneficiary effect, it is that inflation erodes the legislated minimum wage and hence mitigates some of its youth unemployment effects. Indexing the minimum wage to the average wage in manufacturing will eliminate this effect and hence exacerbate youth unemployment.

The predicted large increase in youth unemployment should the proposed amendment pass could be mitigated by the inclusion of a significant youth wage differential. If it wishes to bring more youths into the labor market, Congress should permit firms to hire youth at rates considerably less than the adult rate. Organized labor, however, is not even willing to permit this partial concession to economic reality.

The likely result of a rise in the minimum wage is a mixture of the two following outcomes. Taxpayers are going to be called upon to tax themselves to support massive federal make-work projects to employ the nation's youth or the more tragic alternative is that millions of youth will become discouraged and permanently drop out of the labor force. Even worse, some of these youth will turn to various forms of anti-social behavior.

Labor Market Myths

Before ending this part of the discussion, it is appropriate to comment on some widely accepted labor market myths.

1. *If teenagers are allowed to work at subminimum wages, they will be employed while their parents go unemployed.* This statement is an example of the "lump of labor fallacy." It assumes that there are a finite number of jobs available whereby the acquisition of a job by one person of necessity requires that another lose his job. There is no evidence to support such a contention. After all the number of people holding jobs grew from less than a million during colonial times to over 90 million holding jobs now. All evidence suggests that

10. American Enterprise Institute, *Minimum Wage Legislation* (Washington, D.C.: American Enterprise Institute for Policy Research, 1977), p. 15.

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this trend will continue. While there may be some substitution, the overwhelming effect of subminimum wages would be that of increasing *total* employment.

2. *The employment problem faced by youths and others is that there are simply no jobs available.* If this myth is accepted at face value, it is the same thing as saying that all human wants have been satisfied. In other words, it asserts that no one nowhere wishes to have more of some good or service. Again there is no evidence to support such a claim. The quantity of labor employed, just as any other thing of value, conforms to the law of demand, the higher its price the less that it is used and vice versa. What people mean is that at some *particular wage* there are no jobs available. Nothing is strange about this observation because at some particular wage *anyone* will find that his labor is not demanded. For example, if the writer informed his employer that the minimum wage that he was willing to work for was $60,000 per year, there would simply be no job available. This notion applies to *any* worker. The only difference is that the wage that would cause some people to be unemployed is higher than that which would cause other people to be unemployed.

3. *Many people are unemployed because they are low skilled and have few qualifications.* Low skills explain low *wages* but low skills cannot explain unemployment. In other words, a person is qualified or unqualified only in a relative sense—relative to some wage. To speak of qualifications or skills in an absolute sense has little meaning. For example, a carpenter who is *qualified*, and hence employable, at a wage of $4.00 per hour may be *unqualified*, and hence *un*employable, at a wage of $10.00 per hour. This idea applies to *anything*. A Sears suit is "unqualified" to sell for the same price as a tailored Pierre Cardin suit.

One of the interesting aspects of skills and qualifications is that if an organization of, say, carpenters can through legal institutions require that employers pay all carpenters hired a wage of $10.00 per hour then they have artificially disqualified and made unemployable the carpenter who was formerly qualified and employable at the wage of $4.00 per hour.

The notion of artificial disqualification has direct application to the problems that minorities face in the labor market. Frequently it is said that minorities have a high unemployment rate because of their low skills. How does one reconcile this statement with the fact that in *earlier* times minorities had *lower* unemployment rates? No

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one, we think, would be prepared to argue that blacks during earlier times had more education and training than blacks in present times and that is why they had higher employment rates. No, the real reason is that through the political mechanism (perhaps without intent) many blacks have been artificially disqualified.

4. *High youth unemployment reflects the "baby boom" of the post World War II era.* This myth reflects a misunderstanding of the basic laws of supply and demand. Given a demand, an increased supply of labor (or for that matter anything else) results in lower prices in a free market. It just happens that the labor market in the United States is not free.

5. *Widespread automation is the cause of high unemployment rates among a large sector of the labor force.* This myth reflects both a kind of amnesia and the lump of labor fallacy. First, higher wages are the cause of automation. When wages rise relative to capital costs, firms have incentives to substitute capital for labor. For example, when elevator operators negotiated a higher wage, a few years later we saw widespread installation of automatic elevators. When tomato pickers were brought under the minimum wage later we saw the use of tomato picking machines. As grape pickers negotiate higher wages, we are now seeing the transition to grape picking machines. Second, this myth is the lump of labor fallacy because it asserts that society has no use for the labor displaced by automation. We already demystified this notion in (1) above.

These labor market myths have maintained their popularity down through the ages primarily because they have been self-serving to particular interest groups and because many people are decent and have legitimate concern for their fellow man. However, truly *compassionate* policy requires *dispassionate* analysis. Therefore, the debunking of these and other labor market myths is an important ingredient toward that end.

Labor Unions and Minorities

To understand the impact of unions on minority employment opportunities requires a brief discussion of the sources of union power. Such an understanding will show that racial discrimination will be more probable in the presence of wide scale union control (particularly craft union control) than would otherwise be the case.

The typical person views the union's struggle for higher wages as a conflict where employers are on one side of the battlefield and employees on the other side. This is a myth, created by labor unions,

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which is revealed as such when we analyze the causes and sources of union power.

The ultimate source of union power stems from their ability to deny individual employers or whole industries labor services through the strategy of strikes. Union strikes, as a tool of negotiation, will be effective only if unions can control all potential workers of a particular firm or industry. Without this kind of control, union power will be less effective because a firm struck by a union would simply replace union workers with non-union workers. If firms could hire non-union workers to replace union workers unions would have reduced power to force wages to a level higher than that dictated by the market.

Therefore, *union power primarily rests on its ability to coerce and collude against fellow workers*. The reason why coercion is necessary is that not all workers will find it in their best interest to support union activity. Higher wages secured by the union will give firms inducement to hire less labor. Those workers who would be unemployed as a result will have little incentive to support union activity which leads to their unemployment. This means that strictly voluntary unionism could not win the support of all workers because those workers who would be unemployed as a result of higher wages would agree to work for a lower wage. Therefore, unions achieve their principal aims by obtaining complete control over the supply of labor to a firm. There are a number of methods unions use to achieve such control. Let us examine three principal methods.

(1) *Moral Suasion.* One way that control is achieved is through psychological and moral pressure which promulgates the erroneous belief that union activity benefits *all* workers. Clearly, union activity benefits union members, but those workers who are priced out of the market or are not permitted to enter the union face a reduced set of economic alternatives. A related aspect to this method of achieving control is the creation of the myth that unions have raised the standard of living to a level otherwise unattainable. Unions frequently point to periods in history where wages were low and working conditions poor, but they fail to acknowledge that both wages and working conditions are parts of worker compensation for employment. It happened that during the period to which they refer worker productivity was also low. Technological progress that enabled workers to have higher productivity led to the gradual improvement in both worker pay and work condition.[11]

(2) *Closed Shop.* In some areas of employment there are *closed shop*

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union agreements whereby employers are allowed to hire only those workers who are union members or are acceptable to the union. While in other areas of employment there are *union shop* agreements whereby an employee need not be a union member to initially get the job, but he must become a member within thirty days to sixty days. Both of these arrangements contribute to the maintenance of effective strike power in that the union has control of the labor supply.

(3) *Violence.* Force, the threat of violence and intimidation is another way that unions force recalcitrant employees and employers into line. History is replete with episodes of union violence and the courts have sanctioned activities which would have been considered criminal if done by the average citizen. For example, in Apex Hosiery v. Leader,[12] the Supreme Court held that a striking union could seize a company's plant and stop outgoing hosiery shipments without violating the law. The court said that the restraint imposed by the union was only *incidental* to the legitimate purpose of advancing the union's own interest.

These methods which enable unions, particularly craft unions, to control the labor supply make it more probable that unions can confront employers more easily with the proposition that the firm meet the conditions dictated by the union or be denied labor services. If unions are effective, wages will tend to be higher in the unionized sector. Naturally, workers will be attracted to the higher wage sector. Therefore, unions will be faced with a flood of would-be union members. If unions offered memberships on equal terms to all workers, they could not maintain the higher wages that they won and at the same time have all of their union members employed. Therefore, the union must devise a rationing device for membership.

First, it must be recognized that union membership rights are not sold on the market to the highest bidder. The recognition of this fact forces us to recognize that union membership criteria will be based on the *noneconomic* characteristics of the worker. Noneconomic or personal characteristics that unions can employ to ration membership include: race, sex, political affiliation, age, education, experi-

11. See W. H. Hutt, *The Strike-Threat System: The Economic Consequences of Collective Bargaining* (New Rochelle, N.Y.: Arlington House, 1973).
12. 310 U.S. 469 (1940)

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ence, and personality. Unions also use probationary periods as a way to ferret out those workers who may be prone to violate union codes of conduct. This, too, restricts entry to the union.[13]

Union Discrimination Against Minorities

Even a cursory review of the labor movement in the United States demonstrates how organized labor, with but a few exceptions, sought to exclude Negroes and other minorities from many job markets. Exclusionary devices have ranged from union charters provisions that restrict membership to "white only" and violence against minority workers, to collusive licensing agreements between labor organizations and the state.[14] In fact past Negro leaders almost unanimously condemned unions. Booker T. Washington was a life long foe of trade unions and W. E. B. DuBois called them the *greatest enemy of the black working man.*[15] Union discrimination against minorities needs no documentation here. Instead we need to understand how our labor laws and institutions make union discrimination more likely and more costly to minorities.

The National Labor Relations Act gives the government's sanction to several practices in addition to those mentioned earlier that produce a racial effect. I will discuss the practices most prevalent in the contract construction industry because they tend to be the most discriminatory. Craft union monopoly power which leads to racial discrimination can be most readily seen through an understanding of the basic institutional setting which consists of hiring hall arrangements, the subcontracting system, and the territorial and work jurisdiction rules of craft unions:

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13. Unions also use probationary union members to meet temporary and seasonal job demands and when the demand for such jobs fall, the probationary members are the first to be released.

14. For extensive documentation see, Ray Marshall, *The Negro and Organized Labor* (New York: John Wiley and Sons, Inc., 1965); Sterling D. Spero and Abram Harris, *The Black Worker* (New York: Columbia University Press, 1931): Herbert R. Northrup, *Organized Labor and the Negro* (New York: Kraus Reprint Co., 1971); Gunnar Myrdal, *An American Dilemma* (New York: McGraw-Hill Book Co., 1964); For some especially perceptive remarks see, W. E. B. DuBois, *The Philadelphia Negro: A Social Study* (New York: Schocken Books, 1899), pp. 128-129.

15. Booker T. Washington, "The Negro and the Labor Unions," *Atlantic Monthly* (July, 1913), pp. 756-767; W. E. B. DuBois, "The Economic Future of the Negro," American Economic Association, Publications, 3rd Series (February, 1906), pp. 219-242.

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Subcontracts: Construction contracts are generally let to one or two general construction contractors. These contractors usually subcontract their work out to specialty contractors who hire their labor from union hiring halls.

Union Referral: Most workers in the construction industry have no seniority with a single employer as such. Workers are hired by one employer and after the job is finished they return to the union hiring hall for a new assignment.

Territorial and Work Jurisdiction: Each craft union has jurisdiction which places limitations on the type of work and numbers of men assigned to a project, e.g., a carpenter is not permitted to operate an elevator. Employers (contractors and subcontractors) are allowed to hire workers only from or through the union having the work and territorial jurisdiction.

The laws and customs in the contract construction industry also permit contracts to be written which provide that unions have the first opportunity to fill job vacancies; that preference be given to employees employed in the industry before a certain date; that preference be given to graduates of training programs operated by the union; and that preference be given "qualified workers."

These arrangements in the construction industry (particularly in force in the commercial building sector of the industry) make exclusion quite likely and they make exclusion a low cost and easily policed activity. Moreover, the existence of the union referral system makes it difficult for employers to hire minority employees while at the same time honoring their collective bargaining agreements with contract construction unions. Where employers are permitted to hire workers independently of union hiring halls, in order to comply with federal affirmative action requirements, minority craftsmen are often given only work permits by the union which sanctions employment. These permits do not entitle the worker to union seniority rights, pension and other work benefits.[16]

The fact that unions discriminate against Negroes, in and of itself, would not be an important determinant of economic opportunities to Negroes. Instead, it is the union power obtained through the political arena to use government coercion which enforces the exclusion of nonunion members from particular parts of the job

16. The 1967 *Survey of Economic Opportunity* shows that only 27 percent of non-white craftsmen and 35 percent of non-white laborers in construction are union members.

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market that is the important influence on the economic opportunities available to minorities. That is, if unions could not control access to jobs, the fact tht they discriminate in membership would mean little to minorities.

Licensure and Minority Opportunities

Entry into certain occupations is regulated by law. Licensure laws and certification requirements, though having some social merit, nonetheless act to limit entry to occupations and hence reduce employment opportunities. Licensing laws have another important effect; to the extent that it limits entry, licensure makes the incumbent practitioners income higher than what it would be in the absence of licensure. This helps us to understand why many trade associations and businesses, using the power of the State, seek to restrict entry through licensure.[17] Often these trade associations have real enforcement powers in that members of State licensing boards are most often incumbent practitioners who have a real incentive to see to it that the number of new entrants is not large enough to threaten their incomes.

The relevance of licensure to our discussion of contracts, is that it is yet another form of market entry restriction that produces effects that are disproportionately borne by youths, minorities and other disadvantaged people. Market entry restrictions by licensing are rife in the American economy. I will discuss here only two examples of such restrictions on economic opportunities for minorities because they are examples where (1) there are not high initial capital costs relative to other undertakings, and (2) they are activities which do not require high skill levels. Therefore, the only reason for a relatively small minority participation in these activities is the artificial barriers to entry.

The taxicab business is one where the capital and skill requirements are relatively low. However, entry is restricted through often prohibitively high legal requirements. For example, in New York and Boston, a license fee, which sells for $42,000 and $25,000

17. See, Simon Rottenberg, "The Economics of Occupational Licensing," in *Aspects of Labor Economics* (ed.) Gregg Lewis (Princeton: Princeton University Press, 1962), pp. 3-20; Also, Walter Gelhorn, *Individual Freedom and Governmental Restraints,* (Louisiana: Louisiana State University Press, 1956); and Benjamin Shimberg et al., *Occupational Licensing: Practices and Policies* (Washington, D.C.: Public Affairs Press, 1973).

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respectively, must be purchased for each vehicle that is operated as a taxicab. In Philadelphia, a certificate is required. The Board of Commissioners, in Harrisburg, sits to decide whether to issue a certificate or not based on whether they think the community "needs" more taxi service. For the last few years, they have decided that Philadelphia already has adequate taxi service because they have not issued a single certificate. In Los Angeles, the city has granted Yellow Cab Company an exclusive franchise whereby no other taxicab company can pick up passengers within the city limits.

In Washington, D.C., the story is quite different. Fee requirements are quite nominal—less than $200.00. As a consequence, black taxicab ownership is high relative to the black population. In addition, the price of taxi service in Washington is low relative to other cities and the service received by patrons is better; Washington has more taxis per capita than any other American city.[18]

Another potential business for minority entry is the trucking industry. Here, too, there are significant entry restrictions. To own and operate a truck for the interstate transportation of goods requires that one receive a certificate from the Interstate Commerce Commission (ICC). A certificate will be granted if the entrant can prove that he can provide a service that no other trucker is currently providing. If the entrant *only* offers to provide a better service at cheaper prices, he will be *denied* a certificate. Behind the ICC are the teamsters union and trucking companies who benefit from restricting entry in order to keep wages and profits higher that they would be with more competition. In a recent Illinois crackdown on truckers transporting goods without having certificates, the majority of those arrested were black truckers. Additionally, the fact that there are very few blacks licensed to be common carriers (though several have applied) points up the adverse racial effects of the regulations in the trucking industry.

The market entry restrictions cited here, and in general, are not racial in their stated intent.[19] To the contrary, the stated intentions

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18. The District of Columbia has 7,700 taxis in operation compared to much larger cities such as Los Angeles (450), Detroit (2300), Chicago (4600), Boston (1525), Philadelphia (600). Only New York has a larger number, 11,800; still the number of taxis per capita is considerably less than the District.

19. It is interesting to note however, that white plumbers in the U.S. at the turn of the century advocated the licensing of plumbers as an effective tool to prevent Negroes from following the craft. See Sterling D. Spero and Abram L. Harris, *The Negro Worker*, op. cit., pp. 477 ff. It is also interesting to note that during the 1930's a

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are those of high social "ideals" such as "orderly markets," "fair prices," "fair returns," etc. Whatever the stated intentions of the regulations, the effects are racial to the extent that these market restrictions discriminate most against latecomers, poor people and those without political clout. Minorities are disproportionately represented in such a group.

III

Conclusions and Strategy

This essay could have discussed many other areas of economic and social life where the law, "the rules of the game," produces adverse effects for minorities in such areas as housing, education, police services and so forth. But the principle that I want to demonstrate is that certain racially "innocent" laws spell disaster for certain segments of the population. The attribute that is common to all of these laws is that they place restraints on voluntary exchange in a way disadvantageous to minorities.

In light of some of the government sanctioned restraints that I have discussed in this essay, perhaps one of the best strategies to raise the socioeconomic status of Negroes as a group is to promote a freer market. The reasoning here is that the welfare of minorities can be improved if fewer of the decisions influencing the daily lives of minorities are made politically. One must recognize that in the political arena the decision-making criteria approximates *majority* rule. Almost by definition competition in the political arena is one where a *minority* group is going to be most handicapped. While I recognize that occasionally the majority will take measures that will benefit minorities, I suspect that most often the majority will act in ways that it perceives as being in its own best interest, which may not coincide with minority interests.

The market system, on the other hand, is essentially one-man-one-vote. While people may have unequal amounts of dollars, each person's one dollar has the same power as another person's one dollar. In the market place there is relative parity. This parity is

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U.S. citizenship requirement was added to most occupational licensure laws. This happened to coincide with the large migration of Jews to the United States as a result of the hostilities in Europe. I leave it up to the reader to decide whether these were unrelated events.

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nowhere more clearly seen as it is in the housing market. Many areas of many cities were once affluent all-white neighborhoods. Now many of these areas are predominantly occupied by blacks. Virtually no one ever stops to ask the question: how did blacks take over these housing resources? It was through the market. Blacks simply *out bid* whites for housing. That is, for example, blacks told landlords that they would pay $100.00 per unit for a house separated into four parts yielding the landlord $400.00 per month on a building that he was formerly renting as a single family dwelling for $200.00 per month. While one may have moral reservations about the market method of the allocation of housing for blacks and poor people, he should consider the alternative. Taking only the years 1967 to 1971, government housing programs destroyed 538,000 units of housing. They replaced 201,000 units. Of the number of units replaced less than one-half were for low- and moderate-income families. What the housing policy did do was to increase housing for high-income people and increase the amount of land available for office space.

Looking at any set of statistical data we see that absolutely and relatively the free housing market has provided more housing for the poor than all government housing programs put together. Furthermore, the competitive market has done more to break housing discrimination than any government edict; witness how difficult it has been to prevent neighborhoods in our cities from changing from all-white to all-black, even during times of virulent racial discrimination.[20]

One need not rely on modern examples alone of how the free market benefited blacks. After the Civil War, while there was much hostility towards freemen, historical evidence shows that black sharecroppers, and tenant farmers received the same terms of exchange from planters that their white counterparts received. Attempts of white planters to form a conspiracy against them to prevent the freeman's wages from rising in response to market conditions met with failure:

> That many planters desired cartels to exert monopsony power in the labor market is easily documented. Newspapers and popular periodicals carried

20. Blacks and other poor minorities cannot obtain housing in the suburbs as easily because of *political* restraints to subvert the operation of the market such as zoning laws requiring minimum size lots and houses and requiremens that units be single family units.

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numerous appeals for organization. A contributor to the *Southern Cultivator* in 1865 proposed that planters stand together in enforcing contracts; with landlords acting as one, the freeman 'must consent or starve.' Four years later a planter bemoaned in the pages of *DeBow's Review* that, 'there was no concert of action on the part of planters to oppose these ever-increasing exactions (of the freemen).' And as late as 1899 the same refrain was heard in the *Cultivator:* 'If they desire success let the farmers, as a body, cooperate together, and let each other's labor alone.' Evidently something was preventing successful organization, for otherwise these repeated proposals make no sense."[21]

The repeated attempts of planters to prevent the freemen's wages from rising failed because of the absence of a State-granted enforcement technique. For various reasons the planters could not summon State powers to make effective their desire to collude against the freeman farmers.

Many other examples can be given of how minorities are less disadvantaged when the allocation of resources occurs through the market as opposed to a political mechanism. The reason for this advantage is that personal characteristics plays a smaller role in the market arena. The most tragic thing about the failure to recognize that is that the failure of a large percentage of Negroes and other minorities to "melt" into America's melting pot is viewed by many members of society as group incompetence. Hardly anyone lays the responsibility for this problem where it belongs: to the excesses of government controls. I would guess that if we abolished the minimum wage law, reduced licensing restrictions, changed labor legislation and reorganized the delivery of education, in twenty to thirty years hence there would be no "Negro problem" as there is no Japanese, Chinese, Jewish or other earlier-immigrant problem. These people were able to start off poor and progress because they did not face the market restrictions that today's minorities face.

21. Robert Higgs, *Competition and Coercion: Blacks in the American Economy, 1865-1914* (Cambridge University Press, 1977), pp. 47-48.

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The End of SALT? Purpose and Strategy in U.S.—U.S.S.R. Negotiations

COLIN S. GRAY

As a matter of historical record, arms control agreements tend, overwhelmingly, not to accomplish the ends specified at the time of their signing by the politicians and senior officials of democratic countries. Indeed, the record is so negative that the burden of justification has to lie upon those who would argue that 'this time it will be different'. In this article it is argued that arms control of a meaningful kind is possible, but that there is a need to clear the ground of myths and pious aspirations, so that the elements of an arms-control negotiating strategy that stand a reasonable prospect of success can be identified. This discussion relates specifically to SALT, but it is intended to have a much wider application.

Purpose

In a recent article, a former Executive Secretary of the American SALT delegation, and long-standing distinguished Sovietologist, rendered the judgment that "the greatest problem of the American side in the SALT negotiations has been the absence of consensus on our own negotiating objectives."[1] Phrased more directly, the United States' defense community has lacked stable and intelligent guidance from higher political authority on what it was about in SALT. When a President and his most immediate advisors do not understand what can be accomplished through arms control, nor how best to seek accomplishment of their fluctuating objectives, naturally the great game of SALT policymaking in Washington is opened up to raids, coups, and subversion by all of the many bureaucratic and congressional actors who wish to play (and SALT involves sufficiently high and exciting stakes that everybody wants to play in the game).

Probably the most beneficial development for the long-term health of SALT (and of the Western security that should be

1. Raymond L. Garthoff, "Negotiating with the Russians: Some Lessons from SALT," *International Security*, Vol. 1, No. 4 (Spring 1977), p. 19.

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served by SALT) would be the assumption of office by a President who felt no emotional commitment to arms control *per se*, and who would appoint to positions of high responsibility in the national security area, men of considerable intelligence and even greater judgment – blessed with an open-mindedness regarding the ways in which national security might best be promoted. Above all else, the President and his appointees should be skeptical of existing bureaucratic (and academic) wisdom, and should not be long-term adherents to one philosophy on these questions. The Carter Administration does not fit this model. Unlike Henry Kissinger, the new team believes (or believed) that real things could be accomplished through arms control mechanisms, of real security value, and also unlike Henry Kissinger the new team appeared not to appreciate that real accomplishment has to be paid for by means of investment in bargaining leverage. Kissinger may (and should) be faulted for trying to pass off insubstantial agreements as triumphs of inter-state diplomacy, but he hardly believes that virtue brings its own reward.

Bureaucracies are prisoners of yesterday's policy positions and, more generally, of the pressure of events. Even supposedly zero-based policy reviews founder in the bog of special contending agency interests. Bureaucrats do not seek truth, they are obliged to defend their marches. Both common sense and historical study tell us that a country can be either too weak or too strong to enter into negotiations with any prospect of 'success'. Indeed, if one is very much stronger than the potential adversary (and it is only between potential adversaries that arms control has any meaning), a firm determination to maintain that margin of strength is probably a better arms control device than any treaty. For officials, basic thought on 'what we are about' in SALT, for example, is a luxury that political deadlines tend not to afford. Hence in 1977, nearly eight years into the SALT exercise, even officials intimately involved in the negotiations tend to have only the most tentative and confused notion of what it is that they are charged with accomplishing. Is SALT about the promotion of detente – or is detente about the promotion of SALT (and what is detente)? – in which event, why is one seeking to promote SALT? Very generally, there is agreement that SALT is about an elusive quality termed *stability* – but authoritative political

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guidance on what tends to add to, or detract from, stability is distinguished by its absence. It is not suggested here that there is a single correct answer to basic questions such as these, only that the American defense community seems never to have taken the time needed to address them. Almost literally scurrying from one round of the negotiations to the next, yesterday's framework of working policy capital tends to be dusted off and revised for presentation today.

Prominent among the less well-understood aspects of SALT is the issue of the duration of the exercise and the proper relations between the sequential phases. Is SALT a permanent, or semi-permanent diplomatic institution, with no prospective end-product? Or, is SALT to be approached as though a diplomatic *denouement* might be accomplished in SALT's 3 and 4 ? Is SALT really about the institutionalizing of a dialogue, punctuated by fairly *pro forma* 'registration-of-fact' agreements; or is SALT an endeavor to alter the future course of strategic (*et al.*) history?

The failure of SALT negotiations, thus far – nearly eight years in – to achieve agreements that had unambiguous merits for national and international security, requires some detailed explanation. It could be that very little can be accomplished directly through SALT; American leaders and officials have failed to arm themselves with the kind of bargaining leverage that might produce non-marginal and balanced agreements; or that the 'right package' of positive and negative incentives has failed to emerge from the policy mill. In the American case, the eight years of SALT show both intellectual and policy failure. Whether or not the United States has expected too much of SALT is a moot question, because the Soviet Union has yet to be confronted with a negotiating adversary that had *both* high expectations *and* a persuasive array of what, for want of a better term, are called 'bargaining chips'.[2]

Substance or Cosmetics

The twists and turns of the Carter Administration on SALT policy reflect an ambivalence, or confusion of thought, that has permeated the entire SALT enterprise on the American side.

2. See Robert J. Bresler and Robert C. Gray, "The Bargaining Chip and SALT," *Political Science Quarterly*, Vol. 92, No. 1 (Spring 1977), pp. 65-88.

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Two distinctions need to be drawn. First, there is a fairly clear division between those who believe that Soviet leaders genuinely favor a stabilization of the arms competition – no longer do those leaders need education in the subtleties of stability, although they do need some assistance to combat their domestic hawks; and those who believe that Soviet leaders have no inherent interest in arms control and the goals that Western commentators tend to assert that arms control should forward. In this second view, agreements can be achieved solely on the basis of a strict *quid pro quo*. Abstract arguments about stability will not move the Soviet leadership. What might move them are American weapon programs that promise to threaten Soviet strategic assets. Second, one may distinguish between those who believe that substantial measures of arms control are possible, and those who do not – largely for what should be termed 'structural' reasons. The first distinction has as its criterion one's estimate of Soviet intentions; the second one's assessment of the character of the total conflict-cooperation system that embraces the Superpowers. These distinctions sound, and indeed are, somewhat academic and artificial, but among the virtues of the academic and the artificial is that such an exercise in distinction-creation does compel an analyst to think through what it is that his subject is about, and compels him to address the possibility that there may be structural constraints certain or very likely to frustrate policy intentions. A well-meaning but rather loose-thinking arms control community has not, as yet, been obliged to ask of itself just what it was about.

With the Carter Administration, on present evidence, an unfortunate ambivalence is being enacted as policy. The Administration appears to believe that SALT is serious arms-control business and that many things are possible. For example, commenting upon the Moscow episode of late March, Zbigniew Brzezinski has said that:

> What we were trying to accomplish and what we intend to accomplish is to move forward to genuine disarmament; that is to say, to obtain a significant reduction in the level of the strategic confrontation.
>
> We believe that SALT agreements should not only set the framework for continued competition, but that they should indeed limit that competition, reduce its scope,

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introduce greater stability into our relationship.[3]

Brzezinski's view is eminently defensible – provided strategic policy matches it in an enduring fashion. Unfortunately, Brzezinski and others clearly had no very sensitive appreciation of just what was needed on the American side in order to induce Soviet interest in "genuine disarmament." Moreover, true to the American SALT record of 1969-1976, the Carter Administration is providing more than a little public evidence to the effect that if it cannot reach an agreement which has real arms-control (let alone disarmament) merit, it will settle for whatever should prove to be negotiable (provided it looks tolerably well-balanced). This, of course, was the story of Henry Kissinger's 'triumph' at Vladivostok. The breakthrough to equal aggregates for strategic nuclear delivery vehicles and MIRV launchers was achieved at the cost of abandoning the previous pursuit of a severe constraint upon missile throw-weight.

A worthwhile SALT 2 treaty is not negotiable in 1977. But, some clear thought in 1977 could vastly improve the prospects for SALT in 1979 or 1980. Recognizing the ambiguities as to what 'SALT is about' that have been discussed above, President Carter could elect to match his disarmament hopes to a military program that would yield those hopes some prospect of success. However, the President should also recognize the possibility that many of his arms-control appointees may misunderstand the character of their tasks, and that "genuine disarmament" may be impossible – regardless of the scale and character of American weapon programs. Fortunately, the President can be spared any very painful choices, for the same American defense posture should yield both the leverage needed for worthwhile SALT agreements, and the defensive hedges required should the practicable bounds of SALT bargaining be restricted to the cosmetic.

SALT as a continuous diplomatic institution that cannot bring forth "genuine disarmament" should be perfectly acceptable, provided succeeding American Administrations ceased to take serious account of alleged SALT bargaining needs in the design of the strategic posture. Paradoxically, perhaps, such a

3. "Brzezinski Details Administration's Position," *Aviation Week and Space Technology*, Vol. 106, No. 16 (April 18, 1977), p. 34.

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stable determination to ensure the internal and external integrity of the strategic posture (internal in that the separate parts made sense related one to the other; external in that the posture and doctrine spoke appropriately to the United States' unique foreign-policy needs) would, as a prediction, greatly enhance the prospects for the SALT process delivering agreements that could be defended as worthwhile measures of arms control.

Strategy for Leverage

It is sensible to adopt an agnostic view of SALT's potential for arms-control accomplishment. What has tended to happen thus far on the American side is that too many people have believed that great things could be achieved without the credible promise (and potential performance) of great American effort, and those same people – when disabused of the fantasy that the Soviet Union would sign manifestly unequal agreements – have found little difficulty in advocating and defending terms which were to the American disfavor. The leading argument employed has been that SALT is really about the promotion of a whole network of Soviet-American relations, so the fine print of a SALT agreement really does not matter very much. That kind of thinking leads to 'arms control by promisory note': which is to say, 'you may not like SALT 1 (or 2, or 3), but SALT 2 (or 3, or 4) will be better; the Millennium cannot be accomplished by one treaty. It is a fundamental error to maintain that poor agreements somehow will pave the way for good, or at least better, agreements. As Raymond Garthoff has observed, much of the potential substance of the SALT 1 game was abandoned by the United States, in Kissinger-level back-channel diplomacy, so that the front-channel could not come to grips with some real, and critically important issues.[4] To be specific, as a consequence of Kissinger's back-channel diplomacy early in 1971, SALT 1, and prospectively SALT 2 and beyond, are (will be) constraining the wrong things – launcher *numbers*. This was a negotiating error of mammoth proportions and it is still with us. Even a novice in the business of strategic analysis can appreciate that there is safety (the magic quality, *stability*) in numbers provided missile throw-

4. "Negotiating with the Russians: Some Lessons from SALT," op. cit., pp. 14-15.

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weight/bomber payload is tightly limited. Why, then, is SALT not in the business of limiting throwweight? The simple answer is that the United States, in the person of Henry Kissinger, acquiesced (early in 1971) in the Soviet view that it was launcher numbers that should be limited.[5] As a consequence, there is a fair prospect that 1977-78 will see the emergence of an essentially worthless SALT 2 treaty.

The discussion above is intended to suggest that if one is serious about arms control, one should behave as though one were serious about arms control. A serious arms controller in the late 1970s would have to *insist* that future SALT regimes contain the quality rather than the quantity of weapons. Moreover, if one genuinely seeks strategic stability, a golden rule has to be that defense activities which markedly might reduce the vulnerability of strategic forces should not be constrained by treaty. This would mean that terminal ballistic missile defense of ICBM complexes and land-mobility for ICBMs should not be prohibited. At the present time, the chances seem to be better than even that the United States will repeat in SALT 2 an error committed in SALT 1. Just as SALT 1 prohibited ABM defense of more than a nominal capability, while failing to constrain the hard-target killing threat, so in SALT 2 the United States bids fair to trade away its land-mobile ICBM option, while failing to constrain the rapidly evolving threat to kill hard targets. (In a fit of excessive arms-control zeal, the United States went on public, though *unilateral*, record in 1972 with the claim that mobile ICBMs would be incompatible with its understanding of the SALT 1 regime.)[6]

For once, a circle can be squared. Those strongly skeptical of the potential accomplishments of SALT, and those of a far more hopeful mien, should be able to agree upon a negotiating

5. Numbers of launchers, not of missiles. It is not possible to verify missile numbers save through intrusive on-site inspection. The Soviet Union could well have 2-3 reloads for its 'cold launch' ICBMs and (eventually) for its new IRBM, the SS-20.

6. The most ill-advised aspect of current American SALT policy is the desire to attach some 'statement of agreed principles for the framework for a SALT 3 treaty' to a SALT 2 treaty. This invites the perpetuation of error and could provide the Soviet Union with arguments that might defeat later American efforts to accomplish worthwhile objectives through SALT 3. In 1977, one should not mortgage one's freedom of negotiating action in the early 1980s.

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strategy and a basis for negotiation (in the form of United States strategic posture and doctrine) which meets all likely eventualities. This strategy may be expressed in positive or negative terms, according to taste and circumstance. Negatively, the United States would tell the Soviet Union (in the form of weapon programs and domestic and allied political support for those programs – which Soviet officials could comprehend with scant need for translation) that the quality of Soviet military security would be distinctly inferior in a SALTless, as opposed to a SALTed, world. It is possible that radical SALT notions, no matter how well supported by negative sanctions in the area of weapon development/deployment/proliferation (say, cruise missile technology transfer to allies), have no future – because no Soviet Government could garner a domestic consensus for their approval. However, in defense of an agnostic position, it would be interesting to see how a radical SALT proposal would fare, were it backed by appropriate sanctions. (For example, how would the Soviet Union have responded to President Carter's 'comprehensive proposal' of March 1977, had the MX follow-on ICBM program been two, instead of nearly ten, years away from substantial deployment?)

The SALT process should be abrogated today if the American Administration is not prepared to recognize the salience of three fundamental questions: (1) what do we want to achieve?; (2) with what can we live, should (1) prove incapable of accomplishment?; and (3) how do we maximize the prospects that (1) might be achieved, while making adequate provision for a range of answers to (2)?

Western publics should understand that arms control has never offered a satisfactory alternative path to the national security, as compared with unilateral military effort. Disarmament tends to be achieved only through victory in war (the vanquished are disarmed and the victors dictate the terms of peace), while arms control tends to be achieved only as a consequence of persuading rivals that, in the absence of agreement, large-scale building programs can and will be undertaken (e.g., the United States *vis à vis* Great Britain and Japan in 1921-22). In short, there are no cheap and clever devices for rescuing the SALT process from a succession of agreements that are of little more than cosmetic value: if there were, a man

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as intelligent and adept as Henry Kissinger would have found them.

Persuasion is Programs

SALT is not a matter of weapons alone. Indeed, for a country that enjoys a GNP at least twice that of its arms competitive rival, domestic political support for future weapon programs should be usable in lieu of weapons in hand (to some degree, at least). If the SALT exercise is to produce agreements that would merit the ascription *arms-control*, what should be done by the United States?

First, it should be recognized that the coin of the SALT negotiating realm is money committed to weapons that speak to Soviet anxieties. (In 1977, one can, just about, cash a cruise missile card; one cannot cash an MX card that is not scheduled to achieve an initial operating capability before 1984). Second, one should evolve a fairly stable strategic doctrine. Dire threats of weapon deployment are far more credible if the weapons thus brandished have unambiguously useful roles to play in authoritative, established strategic doctrine. Third, the American President has to take the American people into his confidence on a fairly regular basis with respect to the state of play in SALT and the strategic balance considerations that underpin his negotiating strategy. Save for a brief period early in 1977, the United States Government has neglected to attend to its domestic (general public) base on strategic arms-control questions. To open up the structure of SALT-relevant issues to the public, in language that should be widely comprehensible, is not the same as to conduct an open SALT diplomacy – as, ill-advisedly, did President Carter in March 1977. Finally, the United States Government should organize, and make use of, detailed studies of Soviet arms-control and strategy-related phenomena. In short, in order to discourage the debilitating practice of 'mirror imaging' the negotiating adversary, a far more realistic and continuing study should be made of Soviet reality, in Soviet terms (to the extent possible).

It is not good enough to say, as did Henry Kissinger of the Vladivostok Accords of November 24, 1974, that a particular agreement set 'a cap on the arms race'. A cap on what? A cap on numbers of strategic nuclear delivery vehicles and MIRV

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launchers is no cap at all, because one is capping the wrong things. If the right things cannot be capped (i.e., the throw-weight and accuracy), then probably it is sensible to discontinue the SALT enterprise altogether – since its continuation serves merely to distract scarce talent from serious problems, to foster impossible hopes of eventual substantive arms-control success, and to complicate needlessly the activities of defense planners. If the latter case obtains, the benefits of a SALT-type diplomatic institution need not be foresworn entirely. A SALT-successor institution, not charged with negotiating arms limitations, could function for the exchange of technical information and ideas – as and when the Superpowers deemed such message-passing to be useful.

Many people continue to be puzzled as to why it is that a SALT 2 treaty is so difficult to negotiate. Typical explanations offer commentaries upon specific issues in dispute – say the *Backfire* bomber and American cruise missiles – but the underlying problems tend to escape attention. SALT is not an adequate institution in terms of its mandate and agenda for the traffic that it must bear. For, so long as NATO lacks the capability to offset the Soviet M/IRBM force (and its reloads), 'essential equivalence' in strategic weapons must work to the Soviet advantage. One is talking of roughly equal armaments for very different foreign-policy supportive tasks. "Gray-area" weapon system issues, like cruise missiles and medium range bombers, should be seen not as a problem for SALT, but as a healthy reminder of the fact that Western security interests comprise a seamless web of North American/NATO-European assets that need defending. The current Soviet insistence that American forward-based systems (in Europe) must be a subject for attention in SALT 3 should be welcomed – in tandem with an American *insistence* that Soviet weapons threatening to Western Europe must also be on the agenda. This linkage should be absolute and non-negotiable on the American part. In support of this position, development of a ground-launched cruise missile (GLCM) and an extended-range *Pershing* should be accorded high priority.

Soviet-American Rivalry

An argument which the arms control community tends not to like is to the effect that SALT prospects founder upon the

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arms-control negotiating consequences of the Soviet political worldview, and the military strategy (and supporting weapons procurement) which flows from that worldview. Any person seriously concerned about the fate of the SALT endeavor has to be disturbed by the following facts: Soviet strategic doctrine equates deterrent efficacy with war-waging prowess; the Soviet Union sees itself locked into an adversary relationship with antagonistic social systems – hence SALT is but one aspect of a broad-fronted and inescapable *competition* for the most basic of ends. These facts impinge upon the issue-area of ideology, and may be held to be suspect for that reason, yet they do speak to the most fundamental of questions that pertain to SALT. How does SALT fit into the totality of East-West-relations? Do American negotiators share tolerably congruent assumptions concerning the nature of the SALT exercise with their Soviet counterparts, so that balanced agreements that really would cut into defense postural intentions are within the bounds of negotiating possibility? What functions do SALT agreements serve?

It is not essential that each contracting party should submit to an arms control regime for identical reasons, but some differences in perspective could matter a great deal. For example, it does matter whether Soviet leaders see a SALT 2 as a minor milestone on a conflict road that leads to the eventual triumph of the Soviet definition of the Will of History, or whether they see a SALT 2 as a milestone on a road that leads to the eventual reconciliation of political differences. Under the former assumption the Soviet Union will attempt to build forces (presumably straining to treaty limits – by generous definition) which should maximize political leverage for the inalienable struggle; while, under the latter assumption, the Soviet leadership should be willing to attempt a reciprocation in strategic restraint. If the essentially competitive assumption is correct, then the only SALT regime acceptable to the Soviet Union will be one that offers them a more attractive competitive performance than would a context bereft of formal restraint.

In most human activity, the best tends to be the enemy of the good. This aphorism applies with particular poignancy to SALT. In practical terms, politicians and officials have to decide how much arms control restraint is good enough to be worthy

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of, and defensible in, treaty status. The Carter Administration, thus far, has eschewed this choice in that it has signified its willingness to endorse either a substantial or an unsubstantial (but believed to be balanced) agreement. Given the bureaucratic and political forces in both capitals that are intensively suspicious of all proposed arms-control arrangements, and given the dynamism in the quality of strategic technology, it is sensible to have low expectations of the SALT process. Aside from those two enduring structural problems, it is well to remember that the arms competition is driven by a political rivalry that has to find military expression. Even if it were possible to remove strategic forces from political calculations by means of a SALT regime, the differing geopolitics of the Soviet and American alliance systems render that (hypothetical) option unattractive for the West.[7]

Advice to Negotiators

With respect to specific negotiating advice, two apparently simple-minded dicata should be borne in mind. First, the Soviet Union will never sign-on for an arms-control regime that clearly is not in its best interest (*sic transit* the Carter comprehensive proposal of March 1977). Second, in order to induce Soviet acquiescence in an arms-control regime that is stabilizing by Western definition, Soviet leaders will have to be persuaded, by American actions, that a SALT regime offers the least of several highly plausible evils.

Eight years of SALT experience yield some elementary items of advice that the West ignores at its peril. In summary form: clever or *sympathetic* diplomacy cannot substitute for real strategic programs (Henry Kissinger related to Andrei Gromyko and Leonid Brezhnev as well as one could ask of any American Secretary of State — but this ease in communication did not translate into worthwhile SALT agreements); in arms-control negotiations you secure what you pay for (or what you signify *credibly* that you are willing to pay for) — no

7. A SALT regime, which *de facto*, deprived strategic weapons of international political significance (through really deep cuts in numbers/throwweight — accomplished in a genuinely balanced fashion), would mean that NATO-Europe would have no credible recourse to trans-Atlantic strategic assistance. In short, NATO-Europe would have to be defended by locally-deployed forces.

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more and no less (if you negotiate competently). You probably have a choice, to negotiate for worthwhile limitation, or solely for *pro forma* regimes – either is defensible, provided one recognizes the nature of the game that actually is being played (and hence can determine a policy on strategic development and procurement which speaks to reality rather than aspiration). It is understood very widely that the arms competition between the Superpowers is of a *qualitative* character, yet successive American Administrations wax enthusiastic about *quantitative* restrictions (on strategic nuclear delivery vehicles and MIRV launchers).

President Carter should determine that he is very serious about effecting *qualitative* arms-control – which requires prior investment in American strategic programs which threaten high-value Soviet strategic resources – while he is prepared to live with the kind of arms-control tokenism represented by the more balanced provisions of SALT 1 and the Vladivostok Accords. What matters is that he distinguishes clearly between the two categories in his mind, and that he appreciates that the Soviet leaders will not concede anything in negotiation that the United States has not unambiguously demonstrated a willingness to fund through to operational capability.

SALT 2: The State of Play, the Road Forward

The Interim Agreement on Strategic Offensive Forces of SALT 1 expired on October 3, 1977. An informal extension is most likely to be effected, pending resolution of the outstanding SALT 2 issues (specifically: cruise missiles and *Backfire*). It may not appreciate the fact, but the Carter Administration will be granted an opportunity to review the most basic elements in its SALT policy. The manifest failure of the SALT 2 negotiations, after four-and-a-half years of effort, embracing three Presidents, should be reason enough for President Carter to question both the goals and the negotiating strategy pursued in SALT thus far.

November-December 1977 would be a highly appropriate time for the President to tell the American people that: (a) SALT is about strategic substance, or it is about nothing worthy of continued effort; (b) the United States has a very clear understanding of what contributes to, and what detracts from, strategic *stability*, and that such American understanding

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will comprise the unalterable basis of American SALT negotiating practice, henceforth; and that, therefore, (c) all existing SALT offers, and tentative offers, are being withdrawn. Preferably on nation-wide television, the President would say that since the United States has a gross national product (and a scientific-industrial base) at least three times the size of that of the Soviet Union, it doesn't feel obliged to acquiesce to Soviet definitions of *stability* or "rough equivalence." Specifically, he should announce that since the principal threat to strategic stability over the next decade, by anybody's calculations, is the threat of MIRVed ICBMs to the ICBMs of the other side housed in silos, the United States will insist upon (a) determination of a common ceiling for ICBM throwweight, and (b) revision of the ABM Treaty of 1972 so as to permit ballistic missile defense of ICBM complexes. Neither position is discriminatory against the Soviet Union – in terms of end results – though the former would reflect rejection of the acceptability of a Soviet ICBM throwweight superiority that currently is on the order of 4:1.

The Administration should admit that the degree to which it feels able to be relaxed over ALCM range and the categorization of *Backfire* depends not a little upon the confidence that it reposes in the second strike survivability of *Minuteman-Titan*. In support of its new SALT negotiating position, that ICBM throwweight should be subject to a common ceiling, the Administration would announce the acceleration of the MX ICBM program, and would commit itself, very publicly, to the concept of land-mobile deployment. In addition, as suggested above, the ABM Treaty review exercise would be anything but a *pro forma* enterprise. The official position of the United States would be that renewed acceptance of the treaty, as is, would depend critically upon Soviet acceptance of a common throwweight ceiling on ICBMs. Should the Soviet Union be unwilling to make such an undertaking, the United States would insist that terminal ABM defenses of ICBM fields be permitted. With regard to strategic cruise missiles, the United States would say that it sees no arms control grounds for restricting this class of technology. American cruise missiles do not threaten strategic stability – if the Soviets feel threatened by cruise missiles, that is because they intend to seek to defend targets that the United States believes should

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be vulnerable to attack. By American definition, a cruise missile capability against civilian-industrial assets is desirable and stabilizing. The Soviets should be required to specify just why it is they find long-range cruise missiles to be de-stabilizing. With respect to the survivability of Soviet strategic forces, American ALCMs pose a serious threat only to missile *reloads*. An American President should *not* be sympathetic to this concern. In short, the arms-control case against the cruise missile looks distinctly fragile.[8]

The realities of the SALT negotiations are, of course, likely to be resisted strongly by a President who feels himself indebted, for reasons that are very obscure indeed, to the liberal arms-control establishment. However, folly is folly, whatever the political tie may be. In this article it has been suggested that the Soviet leadership can be induced to sign-on for balanced and non-cosmetic SALT terms only if the United States offers very plausible evidence of a willingness to take unilateral strategic postural action that should diminish markedly the Soviet sense of strategic confidence over the decade ahead. By investing in strategic assets (particularly the MX ICBM) the United States should both enhance the prospects for negotiating success in SALT, and provide a very badly needed hedge against the total breakdown in negotiations.

8. See Colin S. Gray, "Who's Afraid of the Cruise Missile?" *Orbis*, forthcoming.

I would like to thank Donald G. Brennan for his contribution to my understanding of some of the issues discussed in this article.

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Toward Necessary Reform of Social Security

DANIEL ORR

I. INTRODUCTION

Social security is a program with a history. It serves certain objectives, and has certain economic and social consequences. It has a clientele of political adherents, not all of whom derive the same benefits from every phase of the program's operation. Nobody fully understands the history, and economic consequences, and social consequences, and clientele effects of social security. Even recognizing those daunting facts, this paper undertakes to analyze certain reform proposals that have been directed at social security. It makes explicit assumptions about (or describes an explicit understanding of) the "problems" which can be expected to grow worse if the program is unchanged. It sets forth norms or goals that the program should serve. The process of assessing the reform proposals of others has led to a synthetic reform proposal. No more can be claimed for it than that it offers, or at least begins to offer, a way to solve the problems as described here, and to meet the goals as propounded here.

Effectively, this essay is directed to the retirement aspect of social security. Health plans, death benefits, and disability insurance are assumed to be separable policy issues, and to merit separate discussion. Clearly, in the proposal offered in Section III, attention to disability and death benefits is also necessary.

During recent months, several commentaries on problems facing social security have become available.[1] Some of those

1. For example, Michael J. Boskin (editor), *The Crisis in Social Security, Problems and Prospects*, San Francisco, Institute for Contemporary Studies, 1977; Robert S. Kaplan, *Financial Crisis in the Social Security System*, Washington, D.C., American Enterprise Institute for Public Policy Research, Domestic Affairs Study 47, June 1976; J. W. Van Gorkom, *Social Security – The Long-Term Deficit*, Washington, D.C., American Enterprise Institute for Public Policy, Social Security and Retirement Policy 7, 1976; Martin Feldstein, "Social Insurance," in

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commentaries have sketched changes in policy which are believed to be potentially helpful or remedial in meeting the problems. The reader of this paper will be presumed to have already discovered that:

(a) In its operation, the social security system collects taxes from those who are currently employed, out of which it pays benefit obligations to those currently retired. Unlike private insurance companies or pension trusts, it keeps no large fund of invested assets. It is a tax-and-transfer program, not an insurance program.

(b) In recent years, the "trust funds" held by the Social Security Administration (which are liquid assets held to "smooth out" temporary excesses of tax receipts over benefit payments, or vice versa) have been steadily dwindling, in a manner that suggests that tax rates are inadequate to meet total benefit obligations in the current economic climate.

(c) Tax collections to support the social security system have grown at an extremely high rate in the past decade, and promised individual benefits have also grown, although less rapidly than taxes.[2]

(d) The system provides relatively generous minimum benefits, of about $150 per month currently for a married couple, after only forty quarters (ten years) of paying taxes into the system; tax paying participation can be from a part-time or second job ($50 of "participating" income per quarter is the required minimum) and the worker still qualifies for the minimum benefit.

(e) The system is "indexed," that is, provision is made in the law for benefits of retirees to increase with inflation. In fact, by a quirk in the law, the prospective benefits for most retirees will rise *faster* than the rate of inflation.[3]

Colin D. Campbell (ed.) *Income Redistribution*, Washington, D.C., American Enterprise Institute for Public Policy Research, 1977; Robert L. Schuettinger, *Saving Social Security*, Washington, D.C., Council on American Affairs, 1977 and Rita Ricardo Campbell, *Social Security: Promise and Reality*, Stanford, Hoover Institution Press, 1977.

A richly informative source on the current law and the controversy surrounding its operation is Alica H. Munnell, *The Future of Social Security*, Washington, D.C., Brookings Institution, 1977.

2. See Munnell *op. cit.* (note 1) Appendix, for a review of how benefits and tax collections have changed through time.

3. For a complete discussion of flaws in the current indexing scheme,

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(f) Principally because of changes in birth rates, but also because of increasing life expectancy, the number of retired people will increase steadily relative to the number of tax-paying working age people over the next seventy years.

Growth of the Social Security Tax

It is difficult to build reliable quantitative predictions of future tax rates and benefit magnitude on the basis of those background facts. Projections of what will happen if the present law is left unchanged all are based on assumptions regarding future birth rates, future inflation rates, future increases in worker productivity, and future trends in labor force participation, all of which are difficult to forecast. On the basis of single-valued estimates about those key trends (estimates which may turn out to be extremely optimistic), it has been discovered that under the present law, the average annual operating cost of the social security system will be on the order of twenty per cent of total income subject to social security taxation by the year 2050.[4] That, quite simply put, means that *if* the present law is maintained, and *if* the resulting taxes or deficits do not themselves induce radical changes in behavior, then a tax equal to twenty per cent of covered income would be necessary to bring the system into balance on an annual cash flow basis, in contrast to the less-than-nine per cent tax rate which currently prevails. (The foregoing "ifs" suggest that the twenty per cent tax will not be sufficient to balance the system. A social security tax of that magnitude will predictably have pronounced effects on both the desire and the opportunity of most people to work, and hence will reduce taxable income and the amount of taxes collected. It will thereby also reduce the benefit obligations facing the system, but the tax receipt effects are immediate, and the benefit effects accumulate over a generation, so it is safe to predict that tax receipts will decline much more quickly than benefit obligations when the impact of high taxes on individual

see Colin D. Campbell, *Over-Indexed Benefits: The De-Coupling Proposal for Social Security*, Washington, D.C., American Enterprise Institute for Public Policy Research, 1976.

4. *Report of the Panel on Social Security Financing to the Committee on Finance, United States Senate*, 94th Congress, First Session, Washington, D.C., U.S. Government Printing Office, February 1975.

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behavior is felt.)

In the meantime, many things will happen to curtail such an expensive federally administered retirement program. The current growth in awareness of the potential magnitude of the problem is a healthy indication that remedial steps will be taken. The adequacy and aptness of those steps, however, bear investigation. That is the chore undertaken in this paper.

Many of the analyses of social security blame the difficulties now foreseen on the tax-and-transfer character of the system. Such criticisms frequently contrast a "normal" pattern of life cycle savings, in which workers save toward retirement, to the pattern under social security, in which those savings (in the form of social security taxes) are transferred to retirees, thereby ending up as consumption instead of investment. In some measure that indictment is valid: had social security not been introduced in 1937, private saving, investment and national income predictably would be higher in 1977. With greater resulting income, the transfer burden of retirement would be easier to bear. But prior to 1937, private transfers, mostly within the family, were probably the most important source of support for the elderly. Social security in effect took the transfer burden off immediate families and spread it over the working population. Had the nation continued to rely on intra-family transfers (a remote possibility in light of the way that personal wealth was affected by the failure of financial markets and catastrophic unemployment during the early 1930's), the nation today would still face a problem of finding a way to provide for the increasingly relatively large population of older people. However, it would not be burdened by tacit government promises of generous benefits to that group. The adjustment to the growth of the retired cohort would occur through millions of private decisions taken at various points in time during the coming decades: decisions to save more, or to cut down on gift support to older relatives, or to retire later, or to work more hours.

To the extent that its presence has thwarted those saving or work effort decisions, social security has worsened the resource availability problems that we all will increasingly face in the future. For better or for worse, those problems will have to be resolved politically and collectively, instead of individually. Curtailed resource availability, then, is the true problem or

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cost of social security, and that cost is compounded in prospect by our demonstrable weakness in solving such problems through the political process. If past attempts to solve similar problems can be taken as a predictive guide, the debate over social security will become factionalized. Interest groups will form, each one seeking to establish its own advantage. In such an environment, there is a danger of losing sight of the fact that social security has conveyed a significant benefit to everyone, and everyone has a stake in finding a totally acceptable solution based on analysis, not political compromise. The past benefits from social security include more widely diffused costs of supporting the elderly, and a measure of financial independence and increased personal dignity for them. However, if those benefits are to be maintained into the future, we must design an adequate, predictable, actuarially sound, and economically harmless retirement program.

II. SHORT RUN PALLIATIVE MEASURES

The current social security law is a source of uneasiness on all the foregoing counts. Much discussion in the press and in Congressional testimony reflects a misperception that the difficulty lies in the evaporation of the social security trust funds: the problem so perceived is one of account imbalance, and many of the treatments that have been recommended are directed toward the restoration of a proper balance on the books. So long as that perspective motivates the search for remedy, the prospect of finding a full, permanent solution will be seriously reduced.

The reduction of resource availability threatened by social security is a classic two-part economic problem, involving the production and distribution of goods and services in the economy. The production question is: what volume and mixture of consumable goods is produced within the economy in any given period of time? The social security law affects the answer to the production question through its effects on the supplies of labor and capital. To the extent that it discourages work effort and creates a disincentive to save, social security reduces the total volume of output within the economy.

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The distribution aspect of the problem arises from the fact that the current law provides very substantial benefits for retired persons. In effect, an increasingly large part of the economy's output has been promised to retirees through this mechanism.

The perceived accounting imbalance in the social security trust fund is an incidental consequence or a symptom of these fundamental difficulties in production and distribution. There is a danger of mis-identifying that symptom as the problem; certain steps which can be taken to reduce or eliminate the symptom can reduce the severity of the problem, but other measures which can be contemplated, while apparently helpful in eliminating the symptom, can only serve to make the problem worse than it now is. Thus, some intelligent course must be found between a damaging response to symptoms alone on the one hand, and complacent inaction on the other.

Steps Toward Reform

There are several easily perceived corrective steps which can be helpful in clearing up both the perceived accounting imbalance and the underlying economic problem, and these steps should be taken immediately. Once they have been taken, a lengthy discussion of objectives and principles should be directed at finding a coherent and satisfactory view of the character and role of social security in the American institutional structure. The immediate steps are

(a) To eliminate the double-indexing of social security benefits against inflation. Under the present law, the retirement benefits that an individual receives depend on that individual's "average monthly covered wage" during years of work. Higher wages imply greater benefits. The law further stipulates that as price levels rise, the *ratio* of benefits to that "average monthly covered wage" will also rise. Thus, a person who is still at work during an inflationary period is promised a higher future benefit per dollar of average monthly covered wages. In addition, however, that same individual will typically find that inflation causes a responsive increase in the wages that he receives. With inflation, benefits per wage dollar are increased, and the total number of wage dollars also increases. The immediate goal of this reform should be a benefit schedule which increases with inflation, but which does not increase

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more rapidly than the level of wages themselves. Fortunately, this problem is well understood, and legislation to "decouple" benefits from wages has been proposed. There is no apparent political gain in letting the double-indexing provision remain as a part of the law. It does work to the advantage of a well-organized interest group, the current retirees, but there is no plausible moral defense of the provision (as there is for a provision which simply protects against inflation). Over a longer period of time, depending on how the law evolves, it may be come politically necessary or economically desirable to let benefit levels diminish slowly relative to prices. There will certainly be pressure to permit such a decline if real wages start to fall at any time.

(b) The minimum benefit provisions of the current law should be tightened up to prevent the use of social security as a second pension. It is frequently the pattern that government employees (local, state or federal), by part-time moonlighting or post-retirement work, accumulate forty quarters of contribution credit and qualify for the minimum social security benefit. The goal of this reform should be to reduce the disproportionately high benefits which accrue to small tax contributions and which are built into the current formula.[5] This goal could be reached by changing the formula, or by prohibiting benefits from being earned at times when the worker also has earnings covered by government pensions, or by merging and administering all government pension plans with social security. The question of which of these alternatives is most advantageous in the long run will depend on how the role of social security is finally viewed and shaped. In the short run, any one of those actions would be helpful.

(c) The preferential benefit treatment given to married men with non-working wives cost an additional 8.4 per cent of

5. The original purpose of the minimum benefit provision was to provide a reasonable retirement income to persons who had not had much income during their covered work lives. As is true of all benefits under social security the minimum benefit is not subject to a means test.

With the advent of the Supplemental Security Income (SSI) program in 1974, the need for an avowedly redistributive component in social security has been eliminated, if indeed it ever existed. SSI is based on a means test and hence lacks the susceptibility to abuse which faces social security. There are minor problems which remain in coordinating social security with SSI, see Munnell, *op. cit.*, (note 1) pp. 8-13.

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total retirement, disability and health benefit payments in 1974. That cost certainly overestimates and overstates the potential savings to be achieved by eliminating the benefit to non-working wives; for one thing, with the present trend toward greater work participation by married women, many of those wives will come to qualify for some part of those benefits through their own work efforts in the future. Elimination of extra benefits for married heads of household, then, would be but a minor step in the right direction.

(d) The present law permits an early retirement option at age 62. It is costly, not so much in terms of additional benefit outpayment as in terms of foregone tax revenues. That provision could be modified or eliminated altogether.

The first two of these reforms are crucial, the other two, secondary. Once the crucial ones have been put into effect, attention can be turned to deeper and more fundamental problems. Cost estimates consistent and compatible with the projections reported in Section I from the Panel on Social Security Financing to the Senate Committee on Finance suggest that the first two reforms can eliminate nearly half of the projected revenue shortfall that the system would experience in the next fifty to seventy years in the absence of increased tax rates; instead of absorbing twenty per cent of the earnings of covered individuals, the cost would be reduced by those two changes to around fifteen per cent.[6] Those changes, then, can buy additional time for the necessary restructuring of social security. In themselves, however, they cannot avert the projected funding problems now foreseen.

Political and Social Considerations

There is a danger, inherent in the political decision-making process, that once partially remedial steps are taken, a wait-and-see attitude will be adopted, and the remaining fundamental issues still posed by the modified system will be ignored. Such a pragmatic but nonetheless damaging wait-and-see attitude predictably will seem particularly appropriate in light of the difficulty of projecting demographic trends. No Congress will want to increase social security tax rates or drastically

6. *Report of the Panel on Social Security Financing to the Committee on Finance, United States Senate, op. cit.,*(note 4).

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reduce social security benefits, unless a large majority of voters clearly perceives the need to do so; and it will be easy to argue almost indefinitely that birth trends are bound to pick up to prevent the predicted dearth of working-age population. So long as it can credibly be argued that the problem is sufficiently far in the future to be conjectural or chimerical, it will be hard to resist the easy course of wait-and-see. To do otherwise is simply too risky politically. But if events combine to create a "crunch," such as another 1973-style oil embargo, accompanied by high unemployment, rapid depletion of social security trust fund reserves, and general price increases, then drastic emergency measures would appear to be necessary and hence would be politically tolerable. Such measures might include benefit reductions to persons with private pensions or adequate personal savings (in effect, the introduction of a means test for social security eligibility, and the confiscation of existing private means); or the creation of benefit differentials based on different living costs in various regions of the country; or even something as extreme as curtailment of benefits and compulsory self-support or institutionalization of persons who are found to be an excessive drain on the health care resources of the society, with institutionalization accompanied by compulsory transfer of all owned property to the social security system.

These suggestions are intended to emphasize the point that any emergency program that we are forced to adopt will have to respond to the exigencies of resource consumption. People are living longer, working-age people no longer wish or expect to bear the cost of caring for retired parents, and birth rate patterns assure that the elderly will be a large and increasing part of the population at every point in time during the next fifty years. Those old people are going to claim and to use resources, and the ability to meet their claims may turn out to be extremely limited under currently existing arrangements.

Various remedial measures have been suggested for current implementation which will eliminate some of the cost of maintaining the social security system and avoid or reduce the severity of future emergency. Even with the necessary changes discussed above, social security will cost approximately fifteen per cent of covered wages, salaries, royalties and commissions; by any private reckoning, that is a costly retirement

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premium.[7] Some of the suggested remedies are extremely superficial and potentially damaging (such as the proposal that the payroll tax be abolished, with retirement pensions funded out of general tax revenues). That proposal is capable of solving the problem of trust fund imbalance at a single stroke; in effect it eliminates the trust fund. But it does not come to grips with the fundamental problems of production and distribution. Other proposals are more sophisticated, and deserve careful attention, such as the idea that the processes of saving and investment within the economy should be in large measure controlled by the social security administration. Intermediate measures, arguably responsive to some, but not all of the problems posed by social security, include issuance of "retirement bonds" by the government, and to permit individuals to maintain their own vested and governmentally secured retirement accounts.[8]

7. As a rough guide, suppose a typical individual begins work at age 22 at $w per year. For twenty years, his real wage growth is five per cent; after that time the change in his real wage is zero. The real rate of interest is three per cent. Let him save fifteen per cent on his wage in any year toward retirement at the real interest rate.

After the first twenty years, the retirement fund is worth

$$(1.03)^{20}w' + (1.03)^{19}(1.05)w' + \ldots + (1.03)(1.05)^{19}w' + (1.05)^{20}w'$$

$$= (1.03)^{20}w' \sum_{j=0}^{20} (1.05/1.03)^{j}$$

$$= 46.2834w'$$

$$= 6.9425w$$

where w' = .15w.

After twenty years, the wage levels off at $(1.05)^{20}w$ or 2.6533w. From age forty-two onward, the retirement fund grows at three per cent, and the annual increment is a constant 2.6533w' = .39799w. The value of the fund at age 65, then is

6.9425w(1.97359)

for the part accumulated *up to* age 42, and

.39799w(32.4528837)

between ages 42 and 65. The total accumulation is

w(12.8135 + 12.3289) = 25.1424w.

Given a wage of 2.6533w at time of retirement, the retirement fund contains about 9.48 years' wages.

With a "replacement ratio" of .67, that retirement fund buys an annuity of just under nineteen years, at three per cent.

8. James M. Buchanan, "Social Insurance in a Growing Economy: A Proposal for Radical Reform," *National Tax Journal*, v. 21, December 1968. Charles D. Hobbs and Stephen L. Powlesland, *Retirement Security Reform*, Concord, Vt., Institute for Liberty and Community , 1975.

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III. A FULL-SCALE REFORM PLAN

Any accumulation of trust funds to be invested in private securities by a government agency will pose questions of objective, purpose and procedure. Moreover, such a pattern of accumulation can be criticized on the ground that it is inequitable in its treatment of different "generations." Those who work and pay taxes during the time that accumulation takes place will be penalized relative to their predecessors and (especially) their successors in terms of the living standards that they enjoy.

In response to these efficiency and equity concerns, it is possible to design the social security system in such a way that accumulation takes place privately: individual taxpayers can be induced to become investors. This answers the efficiency concern by channeling funds into investment, and the equity issue by permitting those who are forced to save more to enjoy the income stream generated by their savings. This all can be accomplished quite simply. The steps are (1) to increase government saving by an increase in social security taxes. (2) To earmark or designate the savings increase contributed by each individual taxpayer, and to credit that taxpayer's social security account by that amount. (3) To create a mechanism whereby those incremental taxes will be invested in the private sector, in the names of the private individuals who paid them.

That third step will be somewhat difficult under existing income taxation laws. Two objectives are desired: that firms should invest more, and that the individuals who save through the payment of higher social security taxes should be the owners of the capital thus formed. To meet these ends, the following steps can be considered: (3a) To offer investment tax credits to corporations against their corporate income tax liability for new investment in physical capital in every period, with total amount of the tax credits thus offered equal to the accumulation of social security savings. (3b) To issue new stock to the Social Security Administration by firms which invest and claim tax credit for doing so. The total value of the stock issue is determined immediately by the amount invested; the price per share is set equal to the mean or median value of the firm's traded stock over some trading interval, perhaps one month or three months on either side of the issue date. (3c) A

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"social security mutual fund" is designated to be the titled owner of that stock. The fund votes none of its shares. (3d) The social security mutual fund issues its own shares to individuals who pay taxes into the social security system. The issues are made in an amount equal to the individual's tax payment, less his prorata share of the costs of meeting the current benefit obligations of the system. (3e) Individual shares of the social security mutual fund can be bought any time, and sold by a holder at any time after retirement, at a price equal to net asset value, plus or less a nominal transfer charge. (3f) To solve the problem of allocation among firms when available tax credits are insufficient to meet investment desires, the available credits can be prorated among firms, with the same fraction of each one's new investment receiving income tax credit.

Solving Certain Problems

Described more simply, the Social Security Administration forms a no-load mutual fund with compulsory purchase of shares by taxpayers. But the important problem of discretion and conflicting purpose in the allocation of proceeds is avoided. Instead of purchasing securities on the market, the fund acquires equity in exchange for corporation income tax credits from firms which engage in new investments.

In that form, the plan is a bit awkward, and it has at least one dubious implication for efficiency. If an investment offset is granted against corporate tax liabilities, a firm with a large tax liability can obtain low-cost funding even if its investment project is prospectively low-yielding. By contrast, a firm with a small tax liability and high-yielding prospect must fund through the private market, presumably at higher cost of capital, and certainly at much higher transaction cost.

A plan of the type just described would contribute more to investment efficiency if it were coupled with a tax reform package which abolished the payment of income taxes by corporations and the preferential rate charged against "capital gains" to individuals, and instead levied ordinary income taxes against stockholders individually for their pro rata shares of the earnings (including retained earnings) of the firms in which they held stock. That change could cause dividend payouts to expand, retained earnings to decline, and stockholders to become much more immediately involved in the

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process of allocating capital. With that tax reform, investment credit could be granted to an individual taxpayer in an amount equal to his or her social security tax, less a pro rata share of the program's operating outlays. A taxpayer who pays $200 above his share of operating costs into the social security system receives an offset against income tax of $200 upon purchasing at least that amount of corporate debt or equity during the year. The asset selection problem then is in the hands of the individual investor.

But suppose that the new investment thus induced exceeds the amount that individual desires dictate. It will always pay investors to purchase securities, whether or not they wish to hold them, in order to benefit from the tax offset. If the "investor" is really at heart a consumer, a later resale of the new securities will capture the tax credit for consumption. If everyone behaves in this fashion, the impact will be an increase in social security taxes, a reduction in ordinary income taxes, heavier Treasury borrowing from the Social Security Administration, and little impact on capital formation.

To surmount *that* problem, securities purchased on tax credit could be compulsorily put into a Keogh-type account, with penalties levied against securities purchasers who do not hold tax-offset purchases until they reach retirement age. This added step has a further attractive aspect. As dividend-compounded securities holdings in such accounts increase, the replacement ratio of social security transfer benefits can be permitted to decline without penalty to the retiree. In effect, the earnings from the purchased assets replace social security. Thus, social security need not be indexed to the real wage; as real wages rise, social security benefits can fall by the amount of the earnings on the capital held by the typical investment account-holder. Naturally, tax-credited savings need not be limited to corporate securities purchases. Insurance policies or mutual fund shares could also qualify, so long as portfolios of the issuing institution are broad based, and not (for example) predominantly composed of municipal securities or U.S. Treasury debt.

The net effect of such a program is interesting. Through time, retirement income (in replacement ratio terms) can be maintained unchanged. The ratio of total government transfer payments to total retirement income is reduced. Private saving

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and investment is increased. Potential gross national product also is increased. There is little or no governmental ownership of capital or control of investment decisions. Capital ownership is more widespread throughout the population. The inefficient aspects of earnings retention by firms are eliminated.

IV. LONGER-RANGE PROSPECTS

Can a system of private asset purchase ever replace social security? Much has been made of the total magnitude of social security obligations, with estimates ranging upward from $2.7 trillion,[9] a sum which exceeds both the national debt and the "market value"[10] of all shares of corporations listed on the major stock exchanges. Such calculations suggest that transfer payments are a necessary component of retirement (as they always have been). A crude calculation which looks at income streams rather than at "market values" is another way to assess the prospects that private savings can significantly replace social security.

In rough terms, national income is $1.5 trillion. Labor's share is about 75 per cent, leaving 25 per cent for capital. Allowing one-third of that sum for imputed income flow from owned housing, the yield on assets is about 16 per cent of national income. With the proposed reform in the tax laws, the tax take from that 16 per cent will be about a third (conservatively) leaving 10 per cent of national income, or $150 billion, as the cash income flow to marketable claims against assets.

Let the age distribution of the population of 220 million be uniform over the interval 0-75 years; let people begin to accumulate assets at a uniform rate at age 21, and to consume assets at a uniform rate at age 65. Under those conditions, assets are accumulated steadily over 44 years, and decumulated

9. Van Gorkom, *op. cit.*,(note 1) page 8.

10. The "market value" of traded shares is a poor measure of the productive potential of corporate physical capital, and a poor measure of the amount required to purchase *all* shares without resort to coercive methods. Trades reflect the values attached to stock only by those owners at the margin who are most willing to sell.

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steadily over ten. Thus, 5/27, or 18.52 per cent of assets are held by retirees.

The consumption stream of a working-age person consists of wages, less taxes, plus income from owned capital, less outlays for capital purchase. The working-age population assumes the full cost of care for the pre-working (0-21) age population. The consumption stream of a retiree consists of income from owned capital, plus proceeds from sale of capital, less taxes. There is no population change and no new capital formation.

The population of retirees, numbering 29.33 million, consumes $3,500 per capita, or a total of $102,655 billion. Its capital earnings are 18.52 per cent of $150 billion, or $27.8 billion. The balance of consumption, $74.7 billion, is obtained annually by selling ten percent of retirees' capital holdings, which is 1.852 per cent of the total capital stock. The average rate of return on capital, if that arrangement works out, is 3.71 per cent ($2.8 billion in earnings, divided by the sale price of $74.7 billion).

The uniform wealth distribution assumption serves to make this scheme work much better than it actually would; the age distribution assumption works against it to some degree. But it is clear that in order for the scheme to function, workers must be willing to buy capital instruments at very low yield in anticipation of resale at the time of their retirement; that, in effect, would be a kind of transfer payment. Perhaps the inducement of a tax offset for those who bought securities would be sufficient to drive the system, but no matter how it is made to operate, it is clear that a transfer payment element remains crucial to the mechanism.

Interestingly, with the fully private system described there, the burden of the transfer mechanism is borne differently than under the current social security law. When a working age population diminishes in size relative to the retired population under the current law, the workers bear a heavier burden of transfer obligations per capita.

Under the arrangement analyzed here, that population shift would cause a drop in the prices of the capital instruments transferred from retirees to workers, which would immediately reduce the consumption of retirees.

However, it should be reemphasized that the comprehensive reform plan of Section III need not wholly replace transfer

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payments immediately in order to be worthwhile. The investment thus induced yields higher incomes; and through time, if social security can be accepted as a valuable supplemental plan rather than a burdensome comprehensive one, replacement ratios can be reduced. The reduction in replacement ratios need not be accomplished by lower real benefits; benefits simply need not increase as fast as real wages. With the decline in replacement ratios, tax rates also can be cut. If taxes are cut more slowly than replacement rates, new capital formation can continue and can steadily diminish the importance of the transfer payment component in the social security retirement system.

V. POSTSCRIPT: A PERSONAL COMMENT ON THE MAGNITUDE OF SAVING DETERRENCE

Modern economics has fostered a cautious skepticism regarding the law of demand: instead of routinely analyzing a problem under the assumption that demand curves are negatively sloped, some of us seem to prefer the agnosticism which is fostered by the theoretically impeccable proposition that a demand curve in at least one market is negatively sloped (or the equivalent and revealingly vapid proposition that all goods cannot be complements in consumption to every other good). The proposition that social security is a deterrent to saving, a proposition which is equivalent to the law of demand, meets that skepticism. It is not sufficiently important that such an effect is surely present, it is necessary to demonstrate by quantitative analysis that it is "substantial" in magnitude. Such a demonstration is a formidable undertaking, and analysts of different persuasions are susceptible to conclude in accord with their convictions.

How can we deal with the unwillingness to acknowledge the tendency for social security to displace savings? Several points need to be emphasized. First, it should be kept in mind that the life-cycle savings hypothesis is a highly stylized account of savings behavior. The higher the income of any individual, the more he saves compared to the life cycle prediction. Estate formation, charitable sentiment and deferral of large consumption purchases are but three of the motives for saving which

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the life cycle hypothesis ignores. Second, it must be remembered that prior to the advent of social security, intergenerational transfers within a family, and private charity, probably were much more important as sources of support for the elderly than is true today. Hence, public transfer payments have succeeded private transfers, not personal saving. These two factors -- the earlier importance of private transfers and the existence of diverse savings motives – probably in large part account for the small measured (or conjectured) effect of social security upon saving.[11] However, the magnitude of that effect in the past is a slender base on which to build recommendations for future increases in social security benefits and payroll taxes. A program which costs a maximum of about $240 per year per worker in current 1977 dollars (as social security did until 1950) will deflect far fewer dollars of saving than one which costs nearly $2000. A program which is widely advertised as a base, or first tier of a multi-level retirement income structure, will generate weaker expectations of future sufficiency than one which promises absolution from every income-associated concern. And finally, with increases in income, it is natural to suppose that in a private regime there would be a tendency to rely less on intrafamily or charitable transfer payments with the passage of time. Private capital incomes could logically be expected to pay a larger share of the support of the retired as income levels increase. Social security in effect locks in the transfer mechanism, rendering it immune to displacement by

11. The evidence that social security *does not* retard capital formation is very sketchy and impressionistic. Several observers point to a virtually unchanged savings rate before and after social security. Selig D. Lesnoy and John C. Hambor ("Social Security, Saving and Capital Formation," *Social Security Bulletin*, July 1975, pp. 3-15) cite two studies of the impact of private pensions on savings behavior. Both Phillip Cagan (*The Effect of Pension Plans on Aggregate Saving*, New York, National Bureau of Economic Research, 1965) and George Katona (*Private Pensions and Individual Saving*, Ann Arbor, University of Michigan, Survey Research Center, 1965) find that pension plans increase saving. Lesnoy and Hambor also mention a hypothesis of Martin Feldstein's which was tested in the doctoral dissertation of Alica Munnell (and later published: *The Effect of Social Security on Personal Saving*, Boston, Ballinger Publishing Co., 1974), to the effect that social security induces an earlier retirement, *and* substitutes for private saving in the manner predicted by the life cycle hypothesis, with the two effects approximately cancelling each other.

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saving; and to the extent that social security is viewed as a sufficient means of providing for the elderly, it breaks the evolutionary movement toward private capital accumulation.

In addition to the assertion that the magnitude of the disincentive effect is unimportant, there is a second frequently mentioned reason for ignoring the possible impact of of social security upon capital formation. That is the fiscalist plea which holds that "society can have any level of saving it wishes by using fiscal policy to generate surpluses, and monetary policy to protect full employment and stable prices." The heroism of that position will be evident to anyone who looks at the record of the past fifteen years. Alas, there exists no all-seeing, all-knowing entity called "society" to make the hard choices; there has not even been a move to delegate the choice to a half-dozen Top Economists. Instead, fiscal policy remains a grab-bag for private interests, and monetary policy a manic juggle of money supplies and interest rates. The idea that the nation's capital stock should be maintained and expanded by those erratic processes is an alarming one to those of us who cherish our creature comforts.

A corollary view is the one which concedes that social security affects capital formation, but which goes on to insist that "social security is not the proper program through which to regulate investment activity." Here we traverse a dangerous pitfall: the view that fiscal policy is the only way to legitimatize investment activity. In this view, investment no longer is an individual gain-seeking process, but instead has become a single numerical value in a Department of Commerce report.

Thus, this plea for the law of demand. A wealth-inhibiting disincentive may initially appear to be of small magnitude; or it may be asserted by econometrically sophisticated advocates as having little or no magnitude (as, for example, in the case of the negative income tax experiments). But through time, people learn. A generation driven by memories of insecurity and imbued with the work ethic will respond slowly and skeptically to a legislated disincentive; a successor generation, exorcised of those incubii, will respond wholeheartedly. Moreover, in the case of social security, there seems to be an endogenous force moving the system steadily through time toward stronger and less easily ignored savings disincen-

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tives. Nor can much faith be given to the plea that investment (along with prices and employment) is properly the purview of monetary and fiscal policy.

Social security appears to be a plan that initially offered a highly satisfactory solution to a very real problem, but now it threatens to perpetuate the very problem which called it into existence; and because of the birthrate drop, it can no longer cope with the problem so painlessly and satisfactorily. If this essay has illuminated some new avenues to find an equitable and workable solution to this major problem of public policy it will have achieved its purpose.

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Why the Soviet Elite Is Different From Us

ROBERT CONQUEST

The single error most likely to lead to trouble, even disaster, in the field of foreign affairs is misapprehension about the basic motivations of the Soviet leadership. This applies both in the grand perspectives of trying to establish a peaceable and cooperative world, and in the handling of the immediate local crises which continually shake the international scene; that is, in both strategy and tactics.

All policymakers concerned, whether statesmen or scholars or journalists, are liable to such error unless we make a continual effort – which is an effort of the intellect, but also of the imagination. For it is only too natural, even in ordinary life, to project on to others one's own notions of "normal" conduct, of common-sense. When it comes to the products of a quite alien political culture, we tend to a more or less automatic, unthinking approach, based on unconscious (and usually false) assumptions. Whatever else may be said about the Vietnam War, at least it is clear that the Politburo in Hanoi was simply not playing the game of escalations, signals and responses, those in charge of operations against them thought reasonable and natural, and so unreservedly applicable. It would be a pity to make the same sort of mistake on a global scale.

There have always been highly differing political cultures on the face of our planet. A periwigged Hanoverian king would never have thought that the intentions of a turbaned and scimitared sultan were the same as his own. Gladstone can hardly have believed the Mahdi's deepest motives to be much like those of a British Liberal. But nowadays the world's cultures have been brought close together in a superficial sense. Communications are immediate, outward appearances are similar. The Politburo in Moscow wear Western style suits and speak a variant of one of the Western political dialects.

But the Soviet leaders are, in fact – as much as any Sultan or Mahdi – the product of centuries of history very different from our own, of a long-standing political psychology alien to ours in its motives, its judgments, its intentions. Russia, from Mongol

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times, has had as its dominant political trend a despotism whose claims to total submission by its subjects astonished the representatives of the supposed absolute monarchies of Central Europe. At the same time it had (as Karl Marx points out) a tendency to unlimited expansion, which went with this deification of the Russian state. There was no notion of a political rule in which the various interests in society could be accommodated to their mutual benefit – that is, no politics proper, as we understand it, and have understood it right back to the Dark Ages. It is true that from 1860 a partial and inchoate Westernization set in with, from 1905, opposition press and parties and a sort of parliament. But it was precisely this Westernizing, democratic trend that the Leninist revolutionaries overthrew, and they were as much opposed to all it stood for as the representatives of traditional Tsarist despotism had been. Even before the seizure of power the Bolshevik Party was already recognized even in revolutionary circles as a sect not only doctrinaire in attitude, but also totally committed to a narrow and ruthless approach to others. Rosa Luxemburg, later leader of the German Communist Party, referred to Lenin and his followers as men who meant merely to stand the old Russian despotism on its head, with themselves as infallible tsars, and also as sunk in "Tartar-mongolian savagery."

The messianic-revolutionary version of the despotic tradition believes itself, even more strongly than the older type, to be in possession of political Truth. Against it, no one has any rights. The Leninist version states clearly not only that all systems which deviate from the true belief are wrong, but also that conflict must go on, as a law of history, until they are destroyed. Every negotiation, discussion and so on is part of a "struggle." The only question is, in Lenin's words, "Who – whom?"

Moreover, far more explicitly than the mere expansionist tendency of tsarist autocracy, Leninism looked forward to the imposition of the Leninist will throughout the world.

The seizure of power in 1917 by a Party which in 1912 had well under 10,000 members was followed by an intensive process by which, even within that narrow sect, a narrower cadre yet survived to rule. After the destruction of all other segments of the political spectrum, the segment remaining was

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sliced thinner and thinner. Even within this narrow power group, it was, by 1940, as if, in the United States, 90% of the House, the Senate, the Army officers, the economic elite, the journalists, the state, county, town authorities, and the leaders of all organisations down to the Boy Scouts had been eliminated. The Communists were already a radically different political species. Stalin's Purge was a harsh form of unnatural selection which produced a yet more alien type.

The physicist Dr. Alexander Weissberg, a victim and student of the Purge, notes of those who rose at the time, "The choosing had been a very negative one. They were the men who had denounced others on innumerable occasions. They had bowed the knee whenever they had come up against higher authority. They were morally and intellectually crippled." They were also completely – and more than ever – the bearers of the doctrine, "Who – whom?" and of the absolute authority of the Party and its doctrine; and they came from strata which had never been touched by Westernization.

The Younger Generation of Apparatchik

But it is not so much a matter of Brezhnev, Suslov, Kosygin and others having been formed by, and selected by, the purges. Not even that, of the present leadership, Brezhnev, Grishin, Gromyko, Kapitonov, Ponomarev, Suslov, Ustinov and Zimyanin were members of Stalin's own personally appointed Central Committee, no less. For it is the unanimous view of all sections of unofficial thought in the U.S.S.R. – Nadezhda Mandelstam, Academician Sakharov, Roy Medvedev – that their pupils, the younger generation of apparatchik, the men now around 40-45, are even more dogmatic and more dangerous, in their total myopia about the dogma and the system.

The leadership, then, and its subordinates who constitute the lower power-bases of the Party, are to be seen as men whose attachment to the Leninist attitude is not so much one of "opinion," in the sense of accepting a view out of which they might be argued by logic or evidence, as of their whole personality. They are soaked in the despotic, and the despotic-revolutionary, tradition. They cannot see the world in terms other than those of their whole history. They have been first determined by their background, and then specially selected

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for their suitability to this congeries of attitudes.

It is thus less a matter of "ideology" than of an inability to think in other categories. Brezhnev need not be envisaged as kneeling down and receiving the *Theses on Feuerbach* every night (any more than Richard Coeur de Lion spent much time reciting the Athanasian Creed). He has enough ideology to get along, and the rest is soaked into his bones.

This is not to say that conscious ideology does not play its part. We have accounts of long and serious sermons from Suslov, Ponomarev and others to representatives of foreign Communist Parties, even to the degree of insisting on a Marxist formulation that may be politically disadvantageous to the Party concerned. And, apart from the mere powermania of the apparatus, the sole rationale of the disastrous collective farm system of agriculture is ideological. When a Politburo member (Voronov) a few years ago suggested a sensible relaxation, as the only way to the much-sought improvement in agricultural production, he was removed. Similarly with the economic reforms which came up in the mid-sixties: they have not been implemented, or only in such a form as to deprive them of their benefits, and this for "ideological" reasons.

The Elite's View of the World

In the field of foreign affairs, then, we are faced with a species whose attitudes are wholly different from our own. The Communist idea applied to world affairs is basically quite simple. No other regimes, have, in principle, any right to exist, any more than other parties do within the U.S.S.R. It is even the case that other Communist regimes which deviate from the Soviet doctrine as interpreted by the Soviet leadership, are illegitimate, as was seen in Czechoslovakia, which – but for practical difficulties – would equally apply to China. But, a fortiori, *no* non-Communist regime is in principle legitimate, and in the long run all must be destroyed. Meanwhile, as indeed with China, questions of tactical possibility make the temporary acceptance of non-Communist states a necessary historical compromise. Nothing, however, must meanwhile stop Soviet support for "proletarian" (i.e. Communist) movements in the West or for "national liberation" (i.e. Communist-sponsored) movements in the Third World. Both these propositions have been continually and publicly asserted – as by Brezhnev in

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person at the 25th Partv Congress last year — in Moscow. They have the corollary that "detente" is not to be interpreted as in any way hampering the progress of Soviet-aided attempts to destroy the pro-Western position anywhere in the world.

"Detente," indeed, is actually *defined* as a "method of struggle." And in practice it never excluded the sight of Soviet tanks rumbling into Saigon and Luanda, and nearly into Tel Aviv.

It is difficult to understand how this point has been missed by some in the West. Soviet speeches are perfectly clear on the matter. Professor Seton-Watson, of the London University School of Slavonic Studies, some years ago commented sourly, "What 200,000 Communist Party officials, from Brezhnev down to the secretaries of party branches in factories or collective farms, tell their subjects is all camouflage. The *real* views of the Soviet leaders are what some nice guy from the Soviet delegation at the U.N. said over a drink or what an itinerant Midwestern scientist heard from some friendly academician in Novosibirsk."

Their basic motivation, in fact, remains the destruction — when and if they can — of all other political life-forms. Meanwhile, they are prepared for various forms of maneuver, of diplomatic and other relationship. It is in this context that we might consider the question of Human Rights in the U.S.S.R. Above all, this constitutes the great test of their true attitudes — and their true attitudes to ourselves as well.

For here we have a simple test of the way in which the Soviet leadership regards democratic and other ideas which we hold to be central to the Western culture. When those who hold these ideas, and wish to express them, are in the power of the Soviet authorities — that is, when they are in the U.S.S.R. — they are bullied, arrested, sent to forced labor camps, subjected to "psychiatric" torture. But if this is what they do to democrats helpless before the power of the KGB, then this is what they regard as the treatment appropriate to democrats everywhere, when and if feasible. Such is the unpleasant negative conclusion to be drawn. But there is also the point that we have here a test of any evolution on their part to the toleration of other political forms in the world. As soon as they cease to persecute the Human Rights Movement in the

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U.S.S.R., we can regard it as a signal that they are prepared for toleration in principle in the world as a whole. As soon as they live up to their "solemnly" undertaken promises to allow a freer movement of people and ideas to and from the Soviet Union, we can begin to think of a world in which their present siege mentality has begun to erode in favor of a true worldwide give-and-take. Meanwhile, unfortunately, a siege mentality persists; and, for an increasingly powerful U.S.S.R., one should remember that a siege mentality is only the obverse of a sortie mentality.

This is not to argue that political cultures cannot change. But they are deep-set, with great intrinsic momenta, and (barring a total disintegration) change slowly and reluctantly. For the time being, we would perhaps be best advised, while watching for any favorable signs, to be under no illusions about the present political culture of the U.S.S.R. or the present motivations of its leadership. The worst way to try to induce even gradual change is to grant approval to the status quo. Only when the Kremlin sees that its present attitudes are profitless would any inducement to change arise (if not among them at least somewhere in the power-apparatus). Incentives to change, disincentives to their present attitude — at any rate that is the best we can do. Meanwhile a wary truce based on a true and sober appreciation of their real feelings and aims may not be very attractive; but it is better than euphoria based on delusion.

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The Model Cities Program: A Sobering Scorecard

CHARLES LONGSTREET WELTNER

President Carter, on October 2, 1977, signed into law a new $14.7 billion housing bill, commenting that this collection of programs would be "a giant step forward" in improving living conditions in the nation's cities.

At the same time, there is a growing belief in the counsels of the Administration (and among outside specialists in urban affairs) that throwing federal dollars at the many problems of the cities may not be very effective and, indeed, may even be counter-productive. A White House aide recently told *The New York Times*[1] that "We cannot turn the central city around simply by using public funds."

William Gorham and Nathan Glazer, in the introduction to their new book, *The Urban Predicament*, published by the Urban Institute, are even more pessimistic. They note that "There is less consensus on the ultimate causes of many serious urban problems, and even less consensus on the measures that would ameliorate them, than there was in 1966, or in 1956. Confidence in our ability to frame solutions has declined as our understanding of the problems has grown."

As a result of these doubts, the Carter Administration is now undertaking a full scale review of our national urban policy. The President's chief domestic adviser, Stuart E. Eizenstat, has called for detailed recommendations for future action by the end of this year; he hopes to present to the President a final plan, with options, by March 15, 1978.

Perhaps a former politician from "Down Home," who once tackled these problems in a more optimistic era a decade ago, may be permitted a few words of advice to the persons who now have the responsibility for finding solutions to bigger problems than we had then.

A More Confident Time

November 3, 1966, might well have been the crest of the Great Society. It was three years after the assassination of

1. *The New York Times*, September 19, 1977, p. 42.

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John Kennedy, and two years before the election of Richard Nixon. Lyndon Johnson controlled the White House, and heavy Democratic majorities controlled the Congress. The war in Viet Nam had not yet eaten away at Presidential power. Most of the proposals of the New Frontier were now law. The ancient imbalance of agrarian over urban had yielded to substantial adjustment.

November 3 was a special date, for on that day President Johnson signed into law a measure called the Demonstration Cities and Metropolitan Development Act of 1966. I was witness to that occasion, being then a Member of Congress, representing the Atlanta district in my fourth year of Congressional service. It was one of those ceremonies which Lyndon Johnson loved so well – flanked by Congressional leaders and the Eastern Establishment, and confronted by scores of photographers and reporters, the cameras recording every moment.[2]

I was at the White House that day because I had supported the bill in my committee, and on the House floor, casting the lone vote from the state of Georgia in favor of the program. I was also there, quite frankly, because I hoped that my city, Atlanta, would benefit by the largesse of this legislation, and that it would be a help to the folks back home.

The efforts that culminated in the Demonstration Cities Act began in 1965, when President Johnson appointed a task force on urban problems, headed by Dr. Robert C. Wood, chairman

2. By then, bill signings at the White House had developed a well-established format. Buses came to the steps of the Capitol to pick up Members and transport them to the White House, where they clustered around the Presidential signing table in the East Room. The cameras were set up on a platform some twenty feet away, and Congressmen, dignitaries, staffers, friends, and onlookers crowded around to observe the event. (The President actually used almost two dozen pens in signing his signature once to the Act. The result was a very sloppy looking "L," formed by perhaps a dozen of the pens while the cameras rolled. Later, an Act was signed with a single signature and a single pen, and plastic ballpoints were given away bearing the Presidential seal and a facsimile signature, Lyndon B. Johnson, in a cardboard box. Beneath the pen was a scrap of paper, certifying that this pen was one of those used – but not really used – in the signing of Public Law something-or-other. Incidentally, a *real* signature of the President was identified by the fact that the middle initial was followed by a period. The autopen scribings had no period.)

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of the political science department at the Massachusetts Institute of Technology. On January 13, 1966, Dr. Wood was appointed Undersecretary of the Department of Housing and Urban Development, and assigned the responsibility of formulating legislation which would "do something" for the cities. The product was the bill known as H.R. 15890 in the House and S. 3708 in the Senate.

The new aspect of the proposal was the emphasis on local planning. As the House Banking and Currency Committee described it:

> This is to be a local program, planned and carried out by local people and based on local judgment as to the city's needs and its order of priorities in meeting these needs.
>
> The assistance provided by Title I of the Bill would help cities of all sizes and in all sections of the country to plan, develop, and carry out such comprehensive city demonstration programs. It would encourage the cities to focus and coordinate projects and activities for which assistance is now available under existing Federal programs with other public and private actions to provide the most effective and economic concentration of Federal, State, local and private efforts to improve the quality of urban life.

The concept included comprehensive city planning to deal with all physical and social problems in the area and an effort large enough to make a substantial impact on substandard housing, ill health, underemployment, poor education, and poverty. To fund the new legislation, the President requested a total of $2.9 billion, with one year spent in planning and five years in implementation.

Lyndon Johnson was determined that the bill pass, for it followed in logical succession his successes with civil rights, economic opportunity, and health care legislation. It was his additional offering to America's less fortunate, this time in the cities, whose central areas were in an advanced stage of decay.

For my part, there was no doubt in my mind that Demonstration Cities, and all the money it could generate, would be of great benefit to my Atlanta district, which included some of the most blighted areas in Georgia. It *sounded* so good. When President Johnson first proposed the measure back in

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January 1966, he had held aloft these high hopes: "Cities of spacious beauty and lively promise . . . . A clean room and a patch of sky for every person, a chance to live near an open space, and to reach it on a safe street." Far more than the "chicken in every pot" offered by a Presidential predecessor some decades earlier, this was the stuff of which American mid-century dreams were made.

As enthusiastic and hopeful as the President himself, perhaps, I pressed for the early inclusion of Atlanta as one of the "demonstration" cities. I was indeed gratified when the secretary of HUD selected Atlanta among the program's first ten cities – and the only city in the South.[3]

There seemed to be nothing wrong with the idea of the Model Cities program. Certainly many inner cities were slums, and blight was increasing. Certainly there had been little coordination among the agencies – state, local and federal – responsible for providing solutions to urban problems. And certainly there had never been enough money, nor enough local initiative and wisdom. Therefore, those of us who believed in the idea of urban revival felt that it might present a truly great "demonstration" that could be duplicated throughout the country.

Such was the nature of hope in 1966.

But Model Cities is no more. Its original authorization has expired, and the last appropriations will soon be spent.

What hopes of 1966 became reality? Which promises were kept? Which goals were reached? In short, what happened?

Atlanta is a particularly appropriate locus for such inquiry. It was a city which knew the value of federal assistance in meeting its responsibilities – victim, as it long had been, of a hostile, rural-dominated legislature. It was a city whose leader-

3. By that time, through one of the quirks of politics, the name Demonstration Cities had given way to "Model Cities." The latter term first surfaced at the bill-signing ceremony on November 3. Nowhere in the President's speech that day, and nowhere afterwards in the bureaucracy, was the program called by its real name. Some Congressmen, I later learned, had received letters from home expressing concern over the appropriation of tax money to finance riots and civil rights demonstrations by blacks; the letter writers had concluded that cities singled out under the Demonstration Cities program were going to have the biggest demonstrations of all. So it was "Model Cities" from then on.

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ship enjoyed good rapport with Washington, and generally got what it sought. It was a city where the problems of the urban poor – meaning Blacks – were generally acknowledged by the political leadership of both races. It was a city with well-developed Black leadership and with Blacks almost full participants in the political process – a stark contrast to sister cities across the South. And it was a city traditionally willing to try. The nation's first public housing project had been built there, dedicated by President Roosevelt in 1938.

If Model Cities was going to work, it ought to work in Atlanta. If it would not work here, it probably would not work anywhere.

This essay is, therefore, an assessment of dollars spent and years of government effort in Atlanta between 1967 and 1975. In addition, because Model Cities was the crest of the crest, it is implicitly an assessment of similar efforts in similar cities. And by extension, it may be taken as an examination of the performance of New Deal-Fair Deal-Great Society legislation, as a fair test of the experience of forty years in pursuit of the belief that society's ills are curable by money.

The approach of the assessment is simple, consisting, like a good Presbyterian sermon, of three parts: How It Was, What Was Done; How It is.

How It Was

Atlanta authorities, under the leadership of Mayor Ivan Allen, quickly chose as the proposed model neighborhood an area covering approximately 3,000 acres at the heart of downtown Atlanta. Immediately south and west of the central business district is the city, county and state governmental complex. Immediately south of that is Atlanta Stadium, the whole being intertwined by expressways. And immediately south of the Stadium is the Model Neighborhood – the communities known as Mechanicsville, Summerhill, Grant Park, Peeplestown, Pittsburgh, and Adair Park.

Capitol Avenue, the area's major thoroughfare, was once the site of grand and elegant dwellings. The area underwent the metamorphosis to shabbiness, truncation into low-income White boarding houses and, a few years ago, racial transition to the point where the six neighborhoods were 70% Black. Four are almost entirely Black.

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There could be no doubt in the mind of the most casual observer that if any area needed help, this was it. Many roads were unpaved, and the general scene was one of rubble, decay, and human misery. (I recall driving along a narrow path known as "Pig Alley" and seeing a naked child playing in the dirt underneath a packing crate – raised upon wooden stilts – which was someone's home.)

An initial publication of the Model Cities program (*A Beginning*) put the situation simply: "Today, much of Model Cities is a festering ghetto." It noted that unemployment was at 15%, 55% were without a high school education, 71% were families with incomes less than $5,000 annually, 77% of housing was sub-standard, and the crime rate was two to three times as high as for the city at large.

A later publication of the project portrayed the situation in more detail: "Overcrowded classrooms, low achievement scores and high dropout rates, a work force dominated by 'the very young, the very old, and the handicapped' – all of them so marginally employable that the unemployment rate was triple that of the city [as a whole]; few local businesses or business opportunities; inadequate transportation and other public services; lack of child care facilities; poor police protection; less than half as much land per person devoted to recreational purposes – [as in the rest of] the city."

The need for social change and physical improvement was clear, and it was recognized by the leadership, both Black and White, of the neighborhood itself, as well as by responsible officials in city government. The desire to "do something" was unquestioned. And now, with the passage of the 1966 legislation, resources never before available were at hand. It was time to put to work all the precepts of the liberalism of the Sixties: saturation funding, local control, intergovernmental coordination, neighborhood and citizen participation, and, generally, the conversion of good will and hope into beneficient reality.

What Was Done

As with every agency that is part of the federal government, or reports to it, there are several feet of documents which outline in minute detail the myriad governmental efforts in the Model Neighborhood.

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In addition to the production of many documents many dollars were spent – 173 millions of dollars to be exact. These millions came from many sources and were spent on a variety of capital movements and social programs. Basically, $17,394,777 was spent on housing; $21,289,902 on capital improvements not related to housing; and $26,704,370 was spent on social programs.

Here it should be noted that absolute exactitude in dollars spent is an unreachable goal. However, the figures used are as close to exact as possible. Several categories of funds are included. Money appropriated under the Demonstration Cities Act is designated as "Model Cities Funds," or "Supplemental Funds." The total of *those* funds directed to the Atlanta demonstration over the life of the legislation was $32,729,800. Additionally, money was spent in the Model Neighborhood by a diverse collection of other government agencies.[4]

To these funds should be added $2.5 million provided by Southern Railway Company for the construction of Pittman Park. The railroad needed to expand its facilities to include the pool and gymnasium of an existing public park. The fair market value of the properties acquired was substantially less than $2.5 million, but political circumstance was such as to require construction of a replacement facility, all at the railroad's cost.

Non-capital spending of the Model Cities program spawned

4. These included:
Atlanta Housing Authority (land acquisition, relocation, and rehabilitation)
Department of Housing and Urban Development (mortgage insurance, rent supplements, annual capital contributions to public housing, and categorical grants under the head of Community Development)
Georgia Parks and Recreation Service
City of Atlanta
Fulton County
U.S. Department of Interior
Atlanta Public School System
State Department of Family and Children Services (welfare, old age, disability and blind benefits, Aid to Families with Dependent Children (AFDC), Medicaid, and food stamps)
U.S. Social Security Administration (assuming from state welfare departments for old age and disability benefits and benefits to the blind)
U.S. Department of Health, Education and Welfare (in funding the Southside Comprehensive Health Care Center, which serves the Model Cities area)
U.S. Department of Justice – Law Enforcement Assistance Administration

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a myriad of programs. Many have come and gone, and some have been taken over by other agencies. To describe each would take too many words, and what counts in the end is not description, but the result. The listing below should at least impart a general idea of the highly diversified undertakings.[5]

But the Model Cities program itself does not account for the total of public funds bestowed on the Model Neighborhood. Comprehensive assessment of public spending requires the inclusion of expenditures by public agencies other than the Model Cities agency. For example, the total of welfare payments made to persons residing in the area is an important

5. These included:

Housing and Satisfactory Community Environment
- Atlanta Girls' Club
- Visual and Performing Arts
- Recreation Advisory Program
- Specialized Passenger Van
- Shuttle Bus
- Public Facility Impact Study
- Commodore Corporation
- Group Foster Home
- Juvenile Delinquency Prevention
- Reach Out to Youth
- Crime Prevention Control Team
- Summer Youth Camping Program
- Youth Coordination

Economic Development and Employment
- Purchase of Training
- Behavioral Modification
- Employment Center
- Vocational Rehabilitation
- Summer Youth Employment
- Construction Trades Training
- Neighborhood Service Center
- Job Mobile
- Medical Assistance
- Welfare Fund
- Data Gathering Non-Competitive Work Force
- Data Gathering Unemployment
- Model Neighborhood, Inc.
- Employer's Service
- Atlanta Model Cities Federal Credit Union
- Neighborhood Consumer Service
- Program of Managerial, Technical, and Financial Assistance
- Contractor's Assistance
- Venture Capital Development Assistance

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factor. Based upon reports of the Fulton County Department of Family and Children Services, this sum comes to $28.5 million. And an apportioned amount for the cost of operating the Southside Comprehensive Health Care Center (calculated to be $7.5 million) should be added.

There is no breakdown by geographical area of Medicaid payments, but a reliable estimate places that cost, for the area, at $5 million. The cost of the food commodities program, prior to conversion to food stamps in 1974, may be estimated at $1,932,500, based upon county payments during 1973. The Model Crime Control Team is the recipient of a $450,046 two-year award by the Law Enforcement Assistance Administration. The amount of money paid out under the Social Security Administration, when that system assumed the payment to the old, disabled, and blind, is approximately $7.5 million. A pro-rata calculation of unemployment payments within Fulton County points to a total five-year expenditure to Model Cities residents of $3,260,000.

Social Services and Health
- Senior Citizen Services
- Homemaker Services
- Service Integration
- Southside Day Care
- Central Coordinated Child Care Services
- Early Childhood Development
- Hinsley Day Care Center
- Haynes Day Care Center
- Baker Day Care Center
- Iv-A and XVI Administration
- Family Counseling
- Model Home Management
- Enrichment
- Expand
- Child Development Training
- Emory Legal Services
- Planned Parenthood
- Mental Retardation
- Mental Health

Resident Involvement
- Mass Convention
- Youth Congress
- Community Resource Development

Administration and Evaluation
- Program Administration
- Research and Evaluation

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Yet to be included are the general costs of police, fire, sanitation, streets, and sidewalks, and other traditional City of Atlanta and Fulton County programs, and the cost of the public schools, vocational rehabilitation, and other educational programs available to residents of the city at large. Considering $240,000,000 as the average annual budgets of the City of Atlanta, Atlanta Public School System, and Fulton County over the five-year period, and taking 5% of municipal budgets and 8% of the school budget (those percentages being the area's average proportion of population and pupil enrollment), these agencies probably spent at least $53,000,000 in the Model Neighborhood over the five-year period.

Altogether, the area and its residents received, over this six-year period, $173,677,495.

How It Is

What has happened to the people of Model Cities as a result of six years' effort and $173 million spent?

The answer will be found in the following analysis:

Population: In 1960, the population of the Model Neighborhood appeared in the census as 51,950. By 1968, it had dropped to 39,000. Best estimates available as of June 1975 indicate a population of 26,725. Since the inception of the Model Cities program, then, one-third of the people in the Model Neighborhood have moved away.

Housing: In 1968 there were 11,613 dwelling units in the Model Neighborhood. By 1970, 1,233 of these had vanished, and the present number of units is estimated at 10,380 – a decline from the beginning of the Model Cities program of about 10%. This is true despite the addition during this period of 349 new units built with HUD support. (It should be noted that the Atlanta Housing Authority acquired 632 parcels in the area, and that it demolished 353 dwelling units. An unknown number of other demolitions were accomplished by owners in accordance with housing code requirements or private redevelopment.) Predictably, the number of households in the Model Neighborhood decreased, from 10,795 in 1970 to 9,280 in June 1975. The difference in percentage population loss and percentage household loss is evident in the number of persons per household, which declined from 3.34 in 1970 to 2.88 in 1975, reflecting a lessening of crowded conditions that was

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probably brought about by the demolition of the very worst of the slum dwellings. Note, also that the vacancy rate in 1970 of all available housing units was 9.8%, which increased to 10.6% in 1975.

The percentage of sub-standard housing in the neighborhood remains, after everything, 2.6 times that of the city at large, only one-tenth of a percent lower than in 1970. This suggests that the lower rate of sub-standard housing might be related, not to rehabilitation, but to the final solution of the bulldozer.

Welfare: In 1970, 2,019 households in the Model Neighborhood were on public assistance, recipients of one or more of the following: Aid to Families with Dependent Children; old age assistance; assistance to the blind; disability assistance; commodities; Medicaid. Households receiving aid to dependent children (AFDC) increased from 18.4% in 1970 to 22.1% in 1975; the total expenditure for AFDC in 1970 was at the rate of $205,110 per month compared to a present total of $232,546 per month, an increase of 13% — despite the population decline of approximately one-third over the same period.

Annual expenditures for all forms of assistance in 1970 were $3,000,778. Since that time, old age, disability, and blind assistance has been assumed by the Social Security Administration. However, the food stamp program has been added, and it, along with AFDC, will call for the expenditure in the year 1975 of $4,277,412 to Model Neighborhood recipients, an increase of 13.2% (not including the annual costs of the three categorical programs assumed by Social Security).

Since 1969 welfare expenditures have risen from $3.5 million annually to a projected $5.8 million. A total of $28.5 million has gone to Model Neighborhood residents since the beginning of 1969.

Unemployment: The 1974 report of the Model Cities staff indicates that unemployment in the area had declined from 8.6% to 5.7%. (No source is cited.) The most recent estimate is that unemployment in Fulton County as a whole reached 10% in June 1975. It is almost a rule of thumb that unemployment among the inner-city poor and inner-city Blacks is double that of an entire community. Hence, it is not unrealistic to presume that unemployment in the area is currently in the vicinity of 18 to 20%. While the Model Cities staff reports

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in 1974 that its employment center made 6,838 job placements, representing an estimated 5,600 area residents, that success has vanished with scarcely a trace in the cold winds of today's economy.

Earnings and occupational level, updated to 1974, would give valuable economic measurements. Unfortunately, no data exists subsequent to 1970. The Model Cities report shows that in 1968, 33.9% of the area work force was employed at the "service/unskilled" level. By 1970, that had increased to 40.7%, while the equivalent city-wide level, 18.6%, remained constant. The same report states that median income increased between 1968 and 1970 from $4,900 to $5,075, but, based on purchasing power of the 1967 dollar, declined to $4,399 real dollars in 1970.

Those are the most recent figures. Unfortunately, no one, not even the local community action agency (Economic Opportunity Atlanta) of the former Office of Economic Opportunity, has undertaken to diagnose the current economic trends in the area.

Education: Comparative statistics are available in only three areas: attendance, dropout rate, and student achievement.

In the neighborhood's elementary schools, attendance increased from 87.5% to 89.9% from 1968 through 1974. High school attendance fell from 84.1% to 76.7%. Both groupings are below the Atlanta system-wide attendance rates: the high school rate by over 5%, the elementary rate by over 2%.

The dropout rate applies only to high school which had averaged, from 1968 through 1972, 4.8 out of 100 students for the entire system, and 8.7 for Model Neighborhood high schools. The 1974 dropout rate is 7.5%, some improvement over the averaged five-year rate but substantially higher than the 1970 city-wide system rate of 4.8%.

Achievement is gauged by two standardized tests, the Metropolitan Achievement Test and the Iowa Test of Basic Skills. The Metropolitan Achievement Test of the Model Neighborhood seventh-graders in 1970 resulted in a composite score of 4.5, compared to the national average of 8.8 — a deficiency of 4.3. In 1972, the Iowa Test of Basic Skills was initiated, scored in grade-year equivalents, and Model Neighborhood seventh graders tested 2.3 years below the national average. The Iowa Test for 1974 showed Model Neighborhood

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seventh-graders making some improvement, testing 5.4 and lowering the deficiency to 1.6 years. Oddly enough, the Model Cities eighth grade tested exactly as did the seventh, 5.4, for a variance of 2.7 years from the national norm. Tests for the eleventh grade in that year produced an equivalent of 7.6 years, a deficiency of 3.5 years.

Considering the 1974 fourth-grade test, 3.1 compared to a national score of 4.1, it is plain that there exists a progression of deficiency, with the gap between Model Neighborhood and national achievement widening with each year of school attendance.

Health: A half mile north of the Model Neighborhood is Grady Memorial Hospital, which is operated by the Fulton-DeKalb Hospital Authority and provides free health care to the indigent. On the southern perimeter of the area is the Southside Comprehensive Health Care Center, created in 1965. Shortly thereafter, it expanded its service to include community mental health care facilities. Thanks to these two institutions, free health care is probably more available in the Model Neighborhood than any other section of the city.

Gauging the state of health of a community presents difficult statistical problems, for, with few exceptions, reliable indicators are not available. However, the following statistics afford a glimpse of the area's health:

The 1969 Model Neighborhood birth rate was 24.7 births per 1,000, compared to 19.4 for Fulton County as a whole. By 1974 the birth rate had dropped significantly, to 19.1 per 1,000, paralleling a decline in the overall Fulton County rate. Of 1969 Model Neighborhood births, 66.4% were legitimate; in 1974 the figure was 62.1%.

A 1969 analysis of the causes of death in Model Cities — birth injuries, influenza, pneumonia — indicated that life was hazardous. The rate of death in each category exceeded the county rate by anywhere from 45% to 130%. Unfortunately, no current figures are available.

Infant mortality in 1969 was 33.6 per 1,000, compared to 24.9 county-wide. New TB cases were 80, compared to 42.8 for the county. No updated figures in these categories are available.

Crime: The standard indicator of crime is the number of crimes per 1,000 persons, which is known as the crime rate. Only

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serious crimes — homicide, rape, robbery, burglary, and aggravated assault — are computed.

The Model Cities evaluation report for 1973 states that the neighborhood experienced a rate of 34.3 serious crimes per 1,000 population in the year 1968, and that the percentages of crimes in the area to all crimes within the city declined fairly dramatically from 1968 through 1973. (It must be remembered, however, that Model Neighborhood population declined from approximately 39,000 in 1968 to 28,700 by the end of 1974.)

Yet the crime rate for the Model Neighborhood has increased. In 1972, the rate of serious crimes was 66.1 per 1,000. Two years later, it had increased by almost one-half to 94.6 per 1,000. Practically one in ten residents was a victim.

Other figures show some improvement. In the first half of 1975, the percentages of all crimes committed within the city, by category, which took place within the Model Neighborhood were: homicide, 12.9%; rape, 9.2%; burglary, 2%; robbery, 8%; aggravated assault, 7%. The following comparative figures for 1972, from the city government's Crime Analysis Team, were: homicide, 19.6%; rape, 8.7%; burglary, 9.3%; robbery, 9.7%; aggravated assault, 18.6%.

Another improvement is in juvenile delinquency. Delinquent complaints in the Model Neighborhood dropped from 906 in 1969 to 381 in 1972, a decrease of 58%. (Juvenile authorities comment, however, that a decline in complaints is not necessarily a decline in crime, but may be attributable to a decline in law enforcement. Similarly, an increase in the crime rate might result from better reporting.

What Really Happened In Model Cities?

Every observer is welcome to draw his own conclusion. My own is this: very little.

True, the area now has some new public buildings, housing units, paved streets, and sidewalks. And it has a major new sewer line.

But, for the most part, things — meaning life as it generally is lived — are about the same, except maybe a little bit worse. At least, most of the indicators seem to support that conclusion. Today — nine years after the floodtide of the Great Society and $173,000,000 later — what remains? Is it possible to learn anything from the "demonstration process"?

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It is trite but true to say that we learn from experience. I know that almost all the people involved in the programs I have analysed here had nothing but good intentions and worked hard to make the policies set by Congress and the Administration work. I know this since I was one of them. We really believed that the combination of strategies that were decided upon would make a difference. It is inescapable that we made very little difference and in some cases at least we clearly had a negative impact on the lives of the people we were sincerely trying to help.

As I said at the beginning of this essay, it is now up to other men and women in Washington and around the country to steer our future course. I hope they will learn from the experience of the last decade. If they do that, at least we will not have struggled entirely in vain.

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The Crisis in Southern Africa: Policy Options for London and Washington

JULIAN AMERY

The American Secretary of State, Mr. Cyrus Vance, stated on October 15th that the crisis in Southern Africa was one of the three most important problems facing American policy-makers, next only to the avoidance of war in the Middle East and the continuance of strategic arms limitation talks (SALT) with the Soviet Union. Secretary Vance certainly did not understate the critical importance of Southern Africa to the interests of the West; I believe a good case can be made that the political future of Western Europe and Japan (and thereby ultimately of the United States as well) will be decided by the turn of events in that part of world in the next few years.[1]

As Senator Henry Jackson has pointed out, the Soviet Union acts in the international arena as an experienced burglar acts in a hotel corridor: concentrating on those rooms which are foolishly left open and sensibly passing by those doors which he finds locked. I hope to demonstrate in this essay that recent American and British policy toward Angola and Mozambique,

1. Bayard Rustin (the prominent American Black leader and president of the A. Philip Randolph Institute) and Carl Gershman (the executive director of Social Democrats, USA) have just published an incisive article entitled "Africa, Soviet Imperialism and the Retreat of American Power" in the October issue of *Commentary*. They note the critical importance of the Soviet Union's growing power in the area:

> The other aspect of the Soviet Union's strategy of denial is its drive to gain command of the vital sea route around the Cape of Good Hope. The significance to the West of this route, considered the busiest in the world, is contained in two simple statistics: 70 per cent of the strategic raw materials needed by the European members of NATO, and 80 per cent of their oil supplies, now reach them by way of it. The Cape is the only available sea route for oil which is now shipped in supertankers too large to pass through the Suez Canal. (p. 38.)

Another leading American magazine, *Foreign Policy*, published by the Carnegie Endowment for International Peace, includes in its Fall 1977 issue a devastating critique of the current African policy of the Carter Administration, entitled "The Black Man's Burden."

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toward South-West Africa, toward Rhodesia and toward the Republic of South Africa itself is geared to what can only be called "competitive subversion." That is, both our governments, in effect if not in design, are competing with the Soviet Union to see which of our foreign policies will first lead to pro-Marxist states in that part of the world. If this seems too pessimistic an analysis, one only has to consider the plain words of the British Labor Government's Foreign Minister, Dr. David Owen, on his recent trip to Moscow where he declared that British and Soviet "intentions" in Rhodesia "are exactly the same." No doubt Dr. Owen was unconscious of the irony inherent in his statement but on the most charitable interpretation there seems little doubt that we are heading toward another Yalta-style settlement.

Despite the "intentions" of Dr. Owen, however, I believe that we must realistically recognize, for reasons that I will shortly explain, that Britain, Western Europe as a whole, and Japan have been relegated to a secondary role in Southern Africa. The outcome will be decided by the superpowers, the United States and the Soviet Union.

It is important therefore that we understand the different (and conflicting) interests and motivations of those two great powers. After offering to the reader what seems to me to be the most plausible explanation for their recent activities in Africa, I intend to briefly analyze what has been going on in the southern tip of that continent and to conclude by offering some policy options of my own.

The Situation in Southern Africa

Let me begin by summarizing some facts about the area which ought to be well-known but may need to be restated.

How far the United States depends on Southern African minerals for the continuance of its industrial life has been hotly debated. But there can be no doubt that vital sectors of West European and Japanese industry would be brought to a standstill without them. Even a major cutback in supply or escalation in price would produce a serious recession. And Western Europe and Japan are North America's chief trading partners. It is no exaggeration to say that access to Southern African minerals and – since they must be paid for – to Southern African markets is as necessary to the industrial West as access to Middle

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East oil. It may indeed be more critical since it is easier to devise alternative forms of energy than to invent substitutes for most of the minerals involved. Strategic and economic considerations made Africa a cockpit of the continuing struggle between the European powers at the turn of the 19th century. Between the World Wars, however, the continent was virtually undisturbed except for the Italian invasion of Ethiopia. Even after 1945 and until the present decade Black Africa remained insulated from the Cold War between East and West which divided Europe and racked South East Asia, the Middle East, and North Africa. Black Africa's insulation from the Cold War was due partly to the preoccupations of the Super Powers elsewhere and partly to the weakness of Soviet naval and long range air power. This, coupled with the economic weakness of the Soviet Union left Black Africa like Latin America clearly in the Western sphere of influence.

It has only been in recent years (since the revolution in Portugal and the American defeat in South East Asia) that the Soviets have seriously challenged the West in Southern Africa.

Repressive measures in Southern Africa have no doubt contributed to the political passivity of the African peoples. But these are only a small part of the explanation. Where the great majority of Africans are concerned, the main reason for their disinterest in revolution has been the steady improvement in their standard of living and in their amenities. Both South Africa and Rhodesia have illegal immigrants from Black nations who come to earn the highest wages paid in Africa. African leaders have realised that they were incapable of defending their countries in a predatory world and wholly unprepared to manage what are already highly sophisticated economies. There is in fact no indigenous revolutionary situation in Southern Africa such as we have seen in South East Asia and Algeria. Without massive external support there would have been no resistance movements in the area at all. Even with it, they have been remarkably tame affairs. Until the revolution in Lisbon, Angola and Mozambique both experienced a steady economic expansion and an increase in tourism. And it is only in the last year or so that Rhodesia has lost the climate of normality which was one of its outstanding features.

Farsighted statesmanship, of course, requires that an African

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population in South Africa, South West Africa and Rhodesia which is already largely integrated into the cash economy should also take part in the political process. (One might add that stability will not come to the rest of Africa until those dictatorships allow *their* people to have genuine majority rule also.)[2] Likewise the management of good relations with Black states to the North requires that their feelings should be taken into account by the White regimes. They may talk more about 'racialism' than they really feel; but they do feel about it just the same as Moslem states, however remote from the Levant, feel about the Palestine problem. They may also use the White regimes as whipping boys to detract attention from their many internal problems. They may even fear the unfavorable comparison of their own failed economies and despotic governments with a successful, multiracial Rhodesia. Moral considerations can never be safely ignored in politics any more than in any other sphere of human activity. And, morality does demand human dignity for all men regardless of color.

The Super-powers in Africa

No one doubts the Kremlin's dedication to the spread of

2. Professor Ernest W. Lefever, an African scholar formerly with the Brookings Institution and now with Georgetown University, has summed up the state of political freedom in Africa in one concise paragraph:

> Few of the 35 odd fledgling states given their independence in the 1960s have been able to fulfill the political legacy bequeathed by the British, French, or Belgians. They all inherited a concept of human rights, a working administration, and a rudimentary mechanism for peaceful and competitive politics, but these democratic institutions and many of the rights were swept away by coups, counter-coups, assassinations, and massive tribal slaughter in Nigeria, Zaire, Burundi, and the Sudan. Today black Africa is ruled almost exclusively by military juntas or one-party dictators. According to the 1976 Freedom House world-wide survey of political freedom, of the 37 black African states, three (Botswana, Gambia, and Mauritius) have democratic political and civil rights, while 11 are "partly free" and 23 are "not free," i.e., they enjoy virtually no political or civil rights. Presidents Houphouet-Boigny of the Ivory Coast, Kenyatta of Kenya, and several other African leaders have maintained stability and, in general, upheld civil rights, but they do not tolerate opposition parties. (*The Wall Street Journal* (editorial page) June 2, 1976.)

The Winter 1978 issue of *Policy Review* will include an article by Dr. Lefever on the whole problem of human rights and diplomacy.

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Marxism, nor the sincere attachment of the White House to the cause of human rights. But it is only realistic to recognise that the Southern African crisis, though much discussed in ideological terms, basically revolves around the control of the Cape route and the minerals of the area. The eventual outcome of the crisis, therefore, is likely to turn on the interplay of external rather than of local forces. The latter will tend to be simply reflections of the former.

Europe still has great interests in Africa and particularly in Southern Africa and geography makes EurAfrica a natural concept. The individual European states, however, have neither the strength nor the will to take active steps on their own to defend their African interests. That may change when the European Economic Community becomes an effective Political and Defense Community. But the time is not yet. As a result, for at least sometime to come, Western Europe is unlikely to play more than a secondary role in the events in Southern Africa.

Despite the fact that the U.S. is one of two super powers, American influence in Black Africa has in the main been limited to Zaire – the former Belgian Congo. Even there Washington recently preferred to leave it to France and Morocco to rescue the Mobutu regime from the invasion of ex-Katanga gendarmes based in Angola. The truth is that the American Imperialism which emerged after the Second World War is for the time being in full retreat. The defeat in Vietnam has clipped the wings of the military-industrial complex. The devaluations of the dollar have engendered a sense of economic weakness. Watergate has undermined the authority of the White House. Congress is reluctant to grant even limited funds to anti-Communist movements abroad; it is unlikely to intervene abroad in any substantial way in the near future. It will be some years, if at all, before an American administration can embark on a formal policy abroad involving the acceptance of new commitments. Some even of the old obligations (such as those to Taiwan and South Korea) are in question. Still, the American economy remains the most dynamic in the world and will continue to seek outlets abroad through multinational corporations, foreign aid programs and by other means. But economic and political power in the United States are at present too widely dispersed to provide a specific impulse for

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expansion. American society moreover, is relatively satisfied. There are no internal tensions strong enough to lead (or push) Washington to seek refuge in foreign adventures. The Panama Canal treaty (though not yet approved by the Sentate) stands as a symbol of the American retreat.

The dynamic of Soviet Imperialism, on the other hand, is of a very different order. It is fuelled by insoluble economic, social, and national tensions. It is driven forward by a military-industrial complex of unparalleled strength. And this complex operates through a centralised totalitarian state machine, which, while determined, is not always efficient.

The backwardness of the Soviet economy and the failure of "socialist" policies, particularly in agriculture, have produced massive economic and social tensions within the Soviet Union. The predominance of the Great Russians over the other nationalities in the USSR has set up another set of tensions. So has the predominance of the Soviet Union over the other nations in the Soviet bloc. On top of this, Soviet propaganda and subversive activity abroad have created still further tensions between the Soviet Union and states outside the Soviet orbit.

To contain these tensions, internal and external, the Soviet Union has built up a military and police establishment without equal in history. There are some four million men in the Red Army, nearly one million in the Soviet Air Force and Navy, and one million in the para-military forces of the KGB. Behind them is a vast industrial and scientific sector geared to providing their equipment which substantially exceeds that of the West in quantity and is now matching it in quality. This military-industrial complex is by far the most powerful economic, social and political force in the Soviet Union, infinitely more powerful in relation to other interests than were the military-industrial complexes of Britain and France before the war or of the United States in the post-war period.

This Soviet military-industrial elite with its marshals, generals, colonels, industrial managers, scientists, administrators and their respective motor cars, aircraft and accommodation produces nothing for the Soviet consumer. Indeed, it constitutes an immense burden upon them, thus increasing the very national and social tensions which it was called into being to contain. Its cadres enjoy quite disproportionate privileges compared with the rest of the population and these they can

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only justify by maintaining tension at home and abroad. They are thus caught in a vicious circle which they can only break out of by a policy of expansion abroad involving victories against the "capitalist" powers.

As a result of this underlying imperative, the Soviet leadership has become dependent on its military establishment for its survival; and the military establishment can only justify its existence if the leadership pursues a policy of expansion. The world is thus confronted by a force irresistibly impelled to expand unless it can be contained by an immoveable object. If it were so contained the whole Soviet Empire could face disintegration; and, as Lenin warned of the older imperialisms, might well choose war rather than suicide. The stakes, therefore, are high.

The "New Imperialism"

In view of these fundamental facts, we may ask what direction will the thrust of Soviet Imperialism take? What strategy will it adopt?

A Far Eastern strategy seems unlikely. No doubt the Soviets could overrun South Korea and Manchuria and thereby increase their influence over Japan. But the risks of becoming embroiled in the land mass of China are considerable and the fruits of "victory" could be bitter. Two dry pieces of paper cannot stick together. The Soviets do not have the resources to develop a Soviet Empire in China.

A strategy directed against Central Europe or its flanks seems more likely, particularly if the present balance of forces between NATO and the Warsaw Pact continues to shift in favor of the latter. Nevertheless the risks of a military advance against Western Europe remain very high. Britain and France as well as the United States have independently controlled nuclear weapons. To calculate that none of them would be used would be a gamble. And no one can reckon where a nuclear conflict once started would end.

The remaining strategic option is what might be called the Blue Water School: a compound of gunboat diplomacy and partisan war. Under the leadership of Admiral Gorshkov, the Soviets have embarked on a massive program of surface and submarine naval construction and supporting long-range aircraft. Concurrently, there has been a major expansion of

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existing facilities for the training, indoctrination and equipment of so-called "National Liberation Movements."

The primary objective of the Blue Water School would be to gain control of the sources of the raw materials on which North America, Europe and Japan depend for their survival and of the trade routes by which they are transported. The Western powers would then be like cities cut off from the food and water of the countryside. They would be under siege with essential supplies denied or restricted until they submitted to Soviet demands. The advantage of this strategy is that it could be pursued gradually and selectively. There need be no point at which it would call forth a violent Western response. "Finlandization" would be a gradual process.

The Arabs who have no military power and not even a monopoly of oil have already shown how effectively they can use the oil they do control for political ends. Soviet control of Persian Gulf oil, South East Asian raw materials or Southern African minerals, backed as it would be by Soviet military power and by the Communist apparatus worldwide would present a formidable challenge to the West and a very difficult one with which to grapple.

A secondary objective of the Blue Water School may well be not merely to deny essential raw materials to the West but to acquire them for the Soviet bloc, in true imperialist fashion. The Soviet Union is rich in raw materials including oil. But, it is already stretched to meet its own and its allies' requirements and to repay its debts to the West. Control of Gulf oil or of Southern African minerals would give the Soviet Union a quasi-monopolistic power over some of the most important industrial commodities. It could use this position not only to harm the West but to strengthen the Soviet economy and so justify its privileged position at home.

The technique of the Blue Water School basically consists in selecting the most effective anti-Western political movements in the raw material producing areas or the approaches to them. Their cadres have then to be trained, indoctrinated and equipped as effective guerrilla forces. Their claims meanwhile are supported by Soviet diplomacy at the United Nations and elsewhere. In the background, Soviet naval and air power is at hand to encourage their friends, to deter external counteraction against the guerrillas and when necessary to give direct support by blockade, random sinkings or, as in Angola, the

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introduction of technicians and "volunteers".

The main raw material producing areas on which the Industrialized West and Japan principally depend are the Gulf, South East Asia and Southern Africa. Southern Africa is currently the most active theatre of the Blue Water School of Soviet strategy.

The Soviets took their first tentative steps in Africa as soon as the decolonization period of the 1960s began. They became, for a time, the dominant political influence in Nkrumah's Ghana, but lacked the money or the sea and air power to support their diplomatic influence. Again, when the Congo became independent the Soviets established a fairly close relationship with the shortlived Lumumba regime. Later on they helped to set up a Soviet republic at Stanleyville under Gisenga, though this landlocked enclave soon failed primarily because the Soviets had too few aircraft with sufficient range and payload to sustain it even from their advance bases in Egypt.

The Soviets soon learned from these early setbacks and initiated the formation of an Indian Ocean fleet with supporting air power. This called for the provision of extensive land-based facilities for the maintenance and repair of ships, aircraft and missiles. These they secured in Aden and Somalia with lesser facilities elsewhere in the area. Then came the selection, training and equipment, at first with Chinese cooperation, of anti-Portugese resistance movements in Angola and Mozambique. These were to prove the spearhead of the strategy. But, looking further ahead, the Soviets also developed contacts with SWAPO, the revolutionary movement in South West Africa – where the legality of the South African regime was challenged by the United Nations – and with ZAPU and ZANU in Rhodesia where the regime had been declared illegal by Britain.

The parallel build-up of Soviet naval power and of the Angolan and Mozambique resistance movements went ahead unobtrusively until the Portugese Revolution. This provided the Soviets (working with the pro-Soviet elements in the Portugese revolutionary council) with the perfect opportunity of achieving a breakthrough in Angola and Mozambique.

The Angolan Affair

The situation in Angola on the morrow of the Portugese

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Revolution was chaotic. Political power was in the gutter. The pro-Soviet resistance movement, the MPLA, looked like losing out to the FNLA and UNITA backed respectively by Zaire and Zambia. The Soviets took a bold decision. This was to marry up substantial quantities of war material shipped from Soviet ports with some 15,000 Cuban troops flown from Cuba in long-range Soviet aircraft. At the time of the operation the Soviets could only be sure of one Angolan harbor and airfield. They were operating at about the furthermost point of the world from the Soviet Union: a point situated on the Atlantic seaboard of Africa and adjacent to the traditional Monroe Doctrine area. The Western Powers together enjoyed sea and air superiority over the Soviets in the Atlantic Ocean. South African facilities were available to them. The South Africa army was a modern military force by comparison with the Angolan guerrillas and the Cuban "volunteers." On every military, logistic and political calculation the Soviet initiative was a colossal gamble.

Dr. Kissinger's reaction was eminently logical. He encouraged the South Africans to intervene against the Cubans. He also arranged the necessary collusion between the South Africans and Zambia and Zaire as well as the UNITA and FNLA guerrillas. President Kaunda of Zambia responded by readily denouncing the Soviet-Cuban intervention as the advent of the "plundering tiger with its deadly cubs now coming in through the back door." In Zaire, President Mobutu took the same line, and a number of other African leaders further from the scene privately welcomed the American counter-initiative.[3]

This response all but succeeded. The anti-Soviet guerrillas held the initiative. The South Africans had the capital city, Luanda, within their reach and could have installed and sustained a Savimbi or Holden Roberto regime.

3. Bayard Rustin and Carl Gershman in the *Commentary* article cited list a number of other African leaders who have spoken out publicly on the threat of the Russians and their new "Gurkhas." This list includes King Hassan of Morocco, the President of Gabon (and of the Organization of African Unity) Omar Bongo, the President of the Ivory Coast, Houphouet-Boigny, the President of Senegal, Leopold Senghor and the President of the Sudan, Gaafer al-Numeiry. Anyone familiar with the facts of Africa must wonder how effectively the American State Department is proceeding toward its announced goal of winning friends for the U.S. in Africa.

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All the requirements were present for a Western victory – all except the will to win. Congress was determined to avoid any new commitment overseas. And cooperation with South Africa was judged unacceptable to American liberal opinion.

Years of anti-South African propaganda had had a similar effect in Western Europe and especially in Britain where the Labor Government had its own private feud with Rhodesia and hence with South Africa. There was no support from the European Community for Kissinger's initiative; although, as President Houphouet-Boigny of the Ivory Coast pointed out, a Soviet victory in Angola threatened Europe's interests even more directly than those of the United States.

A majority of Congress (including a substantial number of conservatives disillusioned with Kissinger) blocked the Secretary's policy and forced him to reverse engines and even to condemn at the United Nations the South African expedition into Angola which he had himself encouraged. The South Africans – perhaps mistakenly – stopped in their tracks, like the British at Suez in 1956. The Cubans managed to establish and sustain a pro-Soviet government in Luanda and the main cities. President Kaunda hastened to mend his fences with the Soviets and cut back his support of the UNITA guerrillas. The Soviets responded by appointing their leading expert on Africa as Ambassador to Lusaka where his influence has grown steadily. In Mozambique the anti-Frelimo forces lost heart and Samora Machel went forward to set up a one party Marxist state without the formality of even pretending to hold elections.

The Soviets were quick to reinforce success. Long before the new Marxist regimes had consolidated their positions in Angola and Mozambique, both countries became mounting blocks for the next offensives. SWAPO guerrillas raided South West Africa from camps in Angola. Mozambique provided similar facilities so that the ZANU wing of the Patriotic Front could raid Rhodesia. Zambia was persuaded to do the same for the ZAPU guerrillas of Joshua Nkomo, Kaunda's personal friend but also Moscow's favorite Rhodesian.

In one short campaign the Soviets had established a paramount influence over two vast and valuable territories – Angola and Mozambique. The Western response had been feeble and had lost the U.S. and Britain such influence as they still had in

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Zambia and Tanzania. The anti-Soviet guerrilla movements in Angola and Mozambique were thrown onto the defensive and deprived of serious external support. The pro-Soviet guerrillas against South West Africa and Rhodesia went over to the attack lavishly equipped from the arsenals of the Warsaw Pact. Uncommitted African states sought to be on the side of the winners. The Blue Water School of Soviet strategy had been triumphantly vindicated.

A high official of a Warsaw Pact country once told me that even if Brezhnev had wished to stop the Angolan operation he could not have done so. I have seen no evidence that he ever harbored any such wish. But, after the Soviet victory in Angola, any doves in the Kremlin must find it harder than ever to restrain the Blue Water strategists.

Kissinger Goes to Africa

Kissinger's hero Metternich once remarked though he was master of Austria's diplomacy, he was never master of Austria. Kissinger was no longer the master of America's diplomacy after the fall of President Nixon and the Congress' rejection of his Angola policy. In the circumstances, Kissinger sought to save by personal diplomacy something of what he had failed to save by national force.

Kissinger's meetings with Prime Minister Vorster at Zurich and Pretoria in the summer of 1976 were primarily directed at the U.N. Assembly and at the vote of Americans rightfully concerned about the fate of Blacks in the area. His design was to bring about majority rule in South West Africa and Rhodesia but in a form which would keep both territories in the general Western sphere of influence. They would have Black-led governments but some White ministers; the military chiefs would remain in the transition period and the Whites would have a substantial say in framing the eventual constitution. The implication of his diplomacy was that South African cooperation in bringing about these results would be rewarded by American support against the Soviet "New Imperialism." Support at the U.N. was indicated plainly and there were hints that cooperation with the United States might well lead to the renewal of American arm supplies. The South Africans concluded that Dr. Kissinger was basically on their side. They recognised the electoral pressures on him and agreed to

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cooperate.

But the Soviets judged that they had the Americans on the run. In South West Africa, SWAPO and its backers were urged to hold out for more favorable terms for them than the Turnhalle Conference had proposed and U.N. sanctions were threatened against South Africa if these were not conceded. In the case of Rhodesia, the Front Line Presidents and the leaders of the Patriotic Front were advised to reject the Kissinger plan.

Smith's acceptance of the Kissinger proposals for Rhodesia and their rejection, at the Geneva Conference, by the principal African Nationalist leaders offered Western diplomacy a golden opportunity. The U.S. and Britain could have argued that they had done their best to produce a reasonable solution and that if the African Nationalist leaders would not accept it they would wash their hands of the whole problem, remove the sanctions and let the protagonists fight it out. Such a determined line might well have brought African agreement and given the Soviets pause. But the British Labor Government – cast in the lead role by the Americans – were not equal to the opportunity. With no majority in Parliament, it inevitably had one eye on its Moscow-orchestrated Left Wing. Besides, as Dr. Kissinger had noticed and other State Department officials have since confirmed, Labor Ministers and some of the civil servants at the Foreign Office seemed to hold a personal grudge against Smith and the Whites in Rhodesia. Smith had after all made monkeys of them for over 12 years; and they easily persuaded themselves that the humiliation of the Whites in Rhodesia would improve Britain's relations with the rest of Black Africa. Nkomo, indeed, during his negotiations with Ian Smith, told a friend of mine that Mr. Callaghan, then Foreign Secretary, had urged him to be tough. Callaghan had argued that he could not sell a Smith/Nkomo deal to the Black Commonwealth unless Smith was clearly seen to be the loser.

The weakness and prejudices of the Labor Government were compounded by the advent of the Carter Administration. Its fundamental concern was to avoid any new external commitment. But other considerations gave an anti-White slant to this basic policy.

There was a sense of obligation to the Black voters who had supported Mr. Carter and the need to retain their support at

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the next election. This was reflected in the appointments of Vice-President Mondale as over-all policy leader for Africa, of Ambassador Andrew Young and of Mr. Richard Moose as Assistant Secretary of State for African Affairs. These appointments (and others)[4] signalled the pursuit of a simplistically pro-Black policy in Africa and a repudiation of the previous view that Black guerrilla movements in Southern Africa were catspaws of Soviet Imperialism. Racialism, Andy Young declared, was worse than Communism.

Mr. Carter no doubt shares Mr. Young's general views but seldom can any President have given such a hostage to fortune as in this appointment. It is difficult to imagine any circumstances in which Mr. Young could be dismissed without alienating the Black vote in America and Black opinion worldwide.

Then there was the President's campaign for human rights. It was possible to lecture the Soviet bloc and even front line allies like South Korea or Iran on human rights. But it was neither practical nor expedient to do much more than lecture. In South Africa something might actually be done without too much damage to U.S. interests. Indeed by chastising a friendly power Washington could establish the sincerity of its commitment.

South West Africa and Rhodesia

The principle from which the President and our Prime Minister started was one of peaceful transition to majority rule. But here came the rub. In South West Africa it soon became apparent that an election was likely to produce an anti-SWAPO majority. SWAPO is mainly an Ovambo movement, and the Ovambos, though the largest tribe in the territory, are by no means the majority. Indeed there are probably more anti-SWAPO Ovambos than pro-SWAPO members of other tribes. SWAPO recognised this themselves and have so far declined to take part in elections unless they were given more time to campaign and unless South African armed forces were withdrawn. They calculate realistically that they could only win an election if the voters were convinced that they were going to be

4. For more information on the group of young liberals who now dominate the State Department at the Assistant Secretary level see "The New Foreign Policy Network," *Policy Review*, Summer 1977.

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the next Government anyway. The Inter-Parliamentary Union sent a fact-finding team to South West Africa last August and they reported to the recent conference in Bulgaria that there is a deep division among the leaders of SWAPO inside and outside Namibia. As a result of disagreements over internal elections of their own officers, over 1000 SWAPO supporters are now being held in detention camps outside of Namibia at the request of one faction of the SWAPO leadership. Twelve of the leading dissenters, including Andreas Shepanga, are being imprisoned without trial in the Dodoma Prison in Tanzania. This, of course, hardly bodes well for the fate of democracy in Namibia.[5] In any event an anti-SWAPO majority, sustained by South African security forces, would have been condemned by the United Nations, the OAU and of course the Soviet Union. And the guerrilla war would have continued.

In Rhodesia there also emerged a real prospect of an internal settlement between the Smith regime and those African Nationalist leaders who almost certainly commanded the support of the majority. The growing military power of the Nkomo-Mugabe Patriotic Front convinced Bishop Muzorewa, Mr. Sithole, and others in the early part of this year that if the Patriotic Front came to power they would be liquidated politically and perhaps physically. There have been two attempts on the Bishop's life already. Their only hope of taking power and even of survival depended upon securing the cooperation of the security forces (which are 70% Black but led mostly by White officers) to defeat the Patriotic Front. There was thus a basis for a deal between Smith and the leaders of the African majority. Given Western encouragement a

5. My parliamentary colleague in the Labor Party, Mr. Ben Ford, reported to the IPU Conference that:

> The problem in Namibia was extremely complex. Although the population was only 1 million, the conference to accommodate all the population groups had required translation into seven languages. There were 12 ethnic groups and amongst them were black, brown, red, yellow and white sections. It would require very careful steps to bring all these people together. Nevertheless, the conference had led to the Turnhalle proposals for a constituent assembly based on one-man, one-vote, and 13 political parties were campaigning inside Namibia, many of them under the Turnhalle political alliance. All these parties had equal rights to campaign in Namibia alongside SWAPO. (IPU Summary).

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transition to majority rule in a pro-Western climate was within reach. But the Soviets and their friends in Africa were of course against such an internal settlement. Shortly after his return from Africa and just before his dismissal, President Podgorny, talking about Rhodesia to a British Parliamentary delegation visiting Moscow, remarked that "a Black Smith would be unacceptable to the Soviet Union." By a "Black Smith" he meant a pro-Western African leader. If majority rule meant pro-Western Black regimes, the fighting would go on.

The President and Mr. Callaghan were thus faced with a dilemma. If they stood by the principle of majority rule they could in all probability establish pro-Western Black governments in both South West Africa and Rhodesia. They could then lift sanctions against Rhodesia and after elections recognise the new regimes. There would be no reason, indeed, why they should not then supply arms to what would be governments in good standing. But the guerrilla forces backed by the Soviets would continue the war. In an imperfect world this would have seemed an acceptable outcome. The advent of governments genuinely elected by a majority of their peoples would have provided an impregnable moral base for Western policy in Southern Africa. It is no more difficult to have Black rule in most African nations than it is to have White rule in Eastern Europe; the problem is to establish *and maintain* true *majority* rule. The retention of White-led security forces and the provision of constitutional safeguards for the White minority would have given reasonable security to Western investments and to the vital supplies of raw materials to Western Europe and to Japan. What is more, the new Namibian and Zimbabwe regimes would have had every interest in working closely with South Africa; and nothing would have done more to encourage reform in South Africa than the experience of seeing Black and White living in harmony across the border.

The guerrilla war would no doubt have continued; but, given adequate economic aid and arms from the West, all the odds would have been on the side of the new regimes with their White-led civil service. Would the Soviets have dared to escalate the war by sending in Cuban or other "volunteers?" To have done so must have encouraged a counter-invasion from South Africa, and the combination of Rhodesian and South African forces with their sophisticated industrial base and modern

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lines of communication must have been more than a match for anything short of a Warsaw Pact Expeditionary force. Such a confrontation must have been unlikely in the extreme.

But any risk of a confrontation with the Soviets however slender, especially if it involved collusion with South Africa, was anathema to the left-wing of the British Labor Party and to a majority in Congress. London and Washington therefore quietly dropped overboard the principle of majority rule. Instead they have begun to describe their aim as a settlement that would end the fighting and command international support – an objective not necessarily (and indeed most likely not) the same as majority rule.

In any conflict, if one side (in this case the Soviets) is prepared to go on fighting while the other (in this case the West) seeks peace at any price, the only alternative to surrender is to leave your friends in the lurch and go over to the enemy. "If you cannot beat them, join them." Hence the Owen-Vance proposals.

The Owen-Vance Proposals

Behind all the verbiage in the White Paper and the explanatory statements, the essential purpose of the Owen-Vance proposals is very clear. It is to break up the security forces on which Bishop Muzorewa and Rev. Sithole as well as Mr. Ian Smith must depend and replace them by armed forces based on the Patriotic Front guerrillas (who are divided among themselves). It is also to set up a constitution so slanted as to make it possible for Nkomo to become President even if he failed to secure a majority at the polls. The proposals were brought forward to forestall an internal settlement excluding the Patriotic Front from any special consideration in the elections and to promote the chances of the latter coming to power.

It is not quite an unconditional surrender; and Dr. Owen and Mr. Vance apparently hope that the Patriotic Front may end by deserting the Soviets, or that Nkomo can be split from Mugabe to join the moderates. But it would almost certainly lead to the substitution of Black minority rule for White minority rule.

The current diplomatic minuet is centered on the person of Mr. Nkomo. Nkomo is well regarded in Moscow – better

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than Mugabe who has kept open his lines to Peking. He is also the friend of President Kaunda and of Mr. Rowland and other capitalist interests in the area. Nkomo's weakness is that his following inside Rhodesia is relatively small. His strength is that he commands a guerrilla movement which though smaller than Mugabe's is arguably better trained and equipped. Washington and London evidently hope that, if his guerrillas could be merged with some of the existing security forces, a nonaligned Zimbabwe regime could emerge that would be acceptable to the Soviets without being wholly under their control.

There are many difficulties about such a solution, quite apart from the fact that it would be unacceptable to the African majority.

The first is that Nkomo's power base would still consist of guerrillas trained, equipped and indoctrinated by the Soviets. In any post-independence struggle for power against Bishop Muzorewa or Mr. Sithole it would be on them and their Soviet supporters and suppliers that he would have to rely. London and Washington accept that they would be taking a risk but argue that even if the new Zimbabwe should initially become a Soviet client state the facts of economic life would return it to the Western sphere. Look, we are told, at what happened in Egypt. The Egyptian example, in fact, is far from reassuring. Before the Nasser coup d'etat the West had vast investments in Egypt and a healthy trade. There was every reason to expect that both would grow to mutual advantage with the post-war boom. And Egypt was then the unquestioned leader of the Arab world. As it happened the West lost everything, actual and potential, while Egypt was forced to sell her cotton to the Soviet Union to pay for arms. After two military defeats Sadat has indeed turned back to the West but his country instead of leading the Middle East is now an overpopulated slum. Is this the fate that awaits Zimbabwe under the Patriotic Front?

A second difficulty concerns South Africa. A pro-Western Black-led regime with the rights of minorities safeguarded would do more than anything to promote necessary reforms in South Africa. A Nkomo-led regime, on the other hand, would inevitably become a base for Nationalist attacks against South Africa and lead to still greater repression there.

Another and associated difficulty is that the attempt to

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compel Ian Smith to surrender to the Patriotic Front or at least to Mr. Nkomo can only succeed if Pretoria is prepared to turn the heat on Salisbury. Dr. Kissinger persuaded Mr. Vorster to do just that this last year. But then it was to bring Black-led but pro-Western regimes to power in both South West Africa and Rhodesia. This time the intention is to bring in SWAPO and the Patriotic Front. The South Africans know that under such regimes Namibia and Zimbabwe are bound to become launching pads for guerrilla attacks against the Republic itself. They know too that the Carter Administration and the Labor Government are set to change the whole internal political structure of South Africa, and this without any regard for the consequences locally or worldwide. There are deep disagreements among White South Africans about domestic policy but there has never been such unity against Western and particularly American intervention as there is today. If Owen and Vance have achieved nothing else they have at least ended the Boer War – the long feud between Afrikaner and Briton.

The South African military would naturally much prefer to see the Soviet advance resisted in South West Africa and Rhodesia rather than in South Africa itself. The political leaders in Pretoria are inclined to play for time; but with nothing to hope for from the West they are unlikely to cooperate with London and Washington.

The South African government may have to ration the Smith regime if they are rationed themselves. But they will not coerce it into surrender. Their public opinion would not stand for it. The question arises therefore: can the West coerce Pretoria? In his book, *The Politics of Defense*, Dr. Owen argued that the Rhodesian problem would best be solved by imposing sanctions on South Africa. The Americans could no doubt use their influence to discourage foreign investment in South Africa or to curtail its oil supply. But South Africa has a long coast-line and her rich market and valuable raw materials give her great bargaining power. Bearing in mind the Rhodesian experience, no policy of sanctions could hope to succeed unless it had both wide and *sincere* international support.

The British and American governments intend to seek the endorsement of the Security Council for their Rhodesian proposals. If this were secured the way would be open to

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impose mandatory sanctions on any country that flouted the U.N. decision; in this case, South Africa. There are, however, two major objections to this course of action.

First of all, the present proposals, whatever may be thought of them, are still American and British property and can be modified or even dropped at will. Once endorsed by the Security Council, however, they would become international property and could only be changed with U.N. agreement. This would introduce an unwelcome element of inflexibility into the Southern African situation.

More seriously, Security Council endorsement of the Anglo-American proposals would internationalize not just the Rhodesian but the whole Southern African problem. It would give the Soviet Union a visa to intervene officially, as well as subversively, in the affairs of the area.

Already Dr. Owen, by seeking Soviet assent to the proposals, has opened a door which will not easily be closed.

The Soviets may, in the end, reject the proposals, calculating that, if they take a hard line, the West will accept the Patriotic Front and SWAPO on their own terms. But suppose they accept and suppose the Security Council then decrees sanctions against South Africa for continuing to supply the Smith regime. How then could the Western Powers prevent the Soviets from imposing a naval blockade on the South African ports to ensure the implementation of the sanctions?

The formulation and presentation of the Anglo-American proposals has been marked by a degree of amateurishness unusual in the State Department and unprecedented in the Foreign Office. But much more sinister has been the substance and basic motivation of the proposals.

It is very hard to escape the conclusion that Washington's refusal and London's incapacity to defend their own vital interests in Southern Africa are leading the two Governments to do a deal with the Soviets over the area. The Soviets are being asked to call off the guerrilla wars in South West Africa and Rhodesia. In return their proteges are to be offered key positions in the political direction of both countries and prospectively of South Africa itself.

This is a Yalta style solution but with one major difference. At Yalta, the Red Army were already in possession of Eastern Europe. Roosevelt and Churchill tried to save something from

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the disaster[6] by making their recognition of the situation conditional on certain Soviet assurances. In Southern Africa the Soviets have not advanced beyond Angola and Mozambique and cannot hope to break down the resistance of South Africa and Rhodesia and those Africans opposed to the guerrillas without active Western support. The West is thus doing the Soviet's job for them; and this without any assurance that Moscow's men will respect Western economic or strategic interests (or the freedom of the peoples) when they come to power. Indeed even if Moscow wished to respect those interests it would be very difficult to do so. In the conditions of Africa either the new Zimbabwe or the new Namibia is far more likely to turn into a dictatorship than to remain a pluralist democracy. It is very difficult for a dictatorship to straddle ideologies. Either Soviet or Western influence would be likely to prevail; and the Soviets will not abandon easily so great a prize as Southern Africa. It proved impossible for Eastern and Western influence to share power in Eastern Europe after 1945. How much harder will it be in the political climate of Southern Africa?

What then should or could the West do, in the present circumstances, to safeguard their vital interests in the area? As Lenin would say, "Who, Whom?"

Some Policy Options for the West

The odds are that the Owen-Vance proposals will not be accepted by the parties concerned. Unless the provisions concerning the security forces and the constitution are amended in a sense favorable to the White minority (and the moderate Blacks) they will not be accepted by the Rhodesian regime or the South African Government. If they are so amended they will be rejected by the Patriotic Front and the Frontline Presidents. Much the same is true of the proposals concerning South West Africa.

If the proposals fail to command acceptance, Washington and London will be faced with a choice. They can either double the stakes by imposing sanctions on South Africa in conjunction with the Soviet Union, or they can abandon any idea of imposing a solution and leave it to the different parties

6. World War II, after all, was begun by Britain and France to defend the independence of Poland.

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to determine their own destiny, peacefully if possible, by force if necessary. Washington and London should adopt the second course.

The Southern African crisis is no longer a dispute between London and Salisbury or between the Western Powers – or even the United Nations – and South Africa. It has become a competition between the super powers. In the circumstances to maintain sanctions against Rhodesia or the arms embargo against South Africa is to take sides with the terrorists not just against the White minority but against the Black majority (who have no desire to be ruled by Moscow) as well. Sanctions and the arms embargo should, therefore, be dropped.

The evidence available suggests that if Washington and London abandoned the attempt to impose solutions and if they adopted an attitude of neutrality by dropping sanctions and the arms embargo, the leaders of the African majority in Rhodesia would come to terms with the Smith regime against the Patriotic Front on something not far removed from the Kissinger proposals. An interim administration would then be formed leading to free elections and the establishment of genuine majority rule, defended by the existing security forces, and with reasonable safeguards for the minority communities. The way would then be open for the formal recognition of the new Zimbabwe.

The guerrilla war would no doubt continue. But the Western Powers need not be involved. The South African and Rhodesian forces would be more than a match for any guerrilla or other African forces sent against them. They could also make things very awkward for the pro-Soviet regimes in Angola and Mozambique by stepping up support to the anti-government guerrillas in both those countries. Only if the Soviets determined to launch a major expeditionary force against Southern Africa could the West become directly involved. And the Soviets could scarcely contemplate such an operation if convinced that it would be resisted by the West.

Finally, in return for adopting a stance of benevolent neutrality towards Southern Africa in its struggle against Soviet Imperialism, Washington and London would be well placed to apply reasonable pressure on South Africa to pursue fairer racial policies. The Pretoria regime is, understandably, reluctant to dismantle its own repressive security machine so long as it

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is isolated. It would adopt a much more relaxed attitude if it believed in Western determination to keep Southern Africa in the Western sphere.

But politics is the art of the possible. It is very difficult to see either the Carter Administration or the Callaghan Government changing to the policies outlined above. Washington, however, in its anxiety to avoid overseas involvement, has deliberately cast Britain in the lead role in Southern Africa. Now a change of Government in Britain could take place very soon. Conservative Governments in the past have not been overbold in their defense of Western interests in Southern Africa. But it is inconceivable that any Conservative Government would contine the Owen-Vance policies particularly if these involved sanctions against South Africa.

Perhaps the best hope for the West lies in the capacity of the anti-Soviet forces in Rhodesia and South West Africa to hold the line until there is a change of wind in London. Meanwhile the Congress and other policymakers in the United States would do well to ponder the implications of the neo-Yalta policies Washington is seemingly now pursuing not just in Southern Africa, but in the Horn of Africa and in the Middle East as well.

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(Continued from page 6)

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The Environment Under Socialism

ENVIRONMENTAL MISUSE IN THE SOVIET UNION. *Edited by Fred Singleton.* (Praeger Publishers, New York, 1976, 100 pp., $13.50.)
CONSERVATION IN THE SOVIET UNION. *By Philip R. Pryde.* (Cambridge University Press, New York, 1972, 301 pp., $18.50.)
THE SPOILS OF PROGRESS: ENVIRONMENTAL POLLUTION IN THE SOVIET UNION. *By Marshall I. Goldman.* (MIT Press, Cambridge, 1972, 372 pp., $7.95.)

The rhetorical framework for the discussion of environmental problems in the Soviet Union was set by Friedrich Engles: ". . . at every step we are reminded that we by no means rule over nature like a conqueror over a foreign people, like someone standing outside nature — but that we, with flesh, blood and brain, belong to nature, and exist in its midst, and that our mastery of it consists in the fact that we have the advantage over all other beings of being able to know and correctly apply its law."

Unfortunately for the Soviet environment, Engles and the Communist Party may have understood the laws of nature and had the proper ideology, but their ignorance of the laws of human nature and of economics has consistently served to produce environmental disruption rather than preservation.

One of the major unchallenged tenets of the conventional wisdom of the environmental movement has been that environmental misuse would disappear if the state were to control all the means of production. This idea has arisen for a number of reasons, but primarily because pollution and environmental degradation first became a visible problem in the capitalist countries of the West where the industrial system had its origins. It was assumed and claimed by most critics of the free market, whether Marxists or modern environmentalists, that it was an inherent problem of a system of production for profit and of private ownership. Therefore, it was maintained that because a private property system was "unable" to solve pollution and conservation problems, public control would. If industry and property were state-owned (or strongly regulated), the state would ensure that the interests of the general public would be protected and that the common good would be

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advanced.

The image of an idyllic system under socialism has been taken for granted and the general aim of the environmental movement in the United States has for the past two decades been toward ever greater state regulation of industry and state control or ownership of natural resources and land. Thus it is timely that in the past five years or so a small number of economists, geographers, and environmentalists has finally begun to examine the Soviet experience. The picture is a sorry one. Regardless of the alleged advantages of state ownership of land and of the existence of a vast body of comprehensive legislation expressly forbidding pollution and ecological disruption, we find in reality that the U.S.S.R. is plagued by pollution and waste of natural resources.

The Desecration of Lake Baikal

Professor Goldman, an economist, says that "The initial stimulus for this study stemmed from expectations that the Soviet system would offer guidelines and experiences which would be of help in other countries. While the Russians do in fact have something to teach us, regrettably the lesson is a short one and not that helpful."

Goldman's book is the broadest in approach and will be of most interest to the general reader. It is also obviously written by a person with a genuine empathy for nature – the book is dedicated "To Lake Baikal" and should therefore carry an instructive lesson to over-zealous environmentalists who place more weight on rhetoric than on economic reality. Chapters deal with the theory and law of environmental protection in the socialist state, the economic and political propensity to pollute, and then with abuses to water, air, land, raw materials, and the book concludes with special chapters on the desecration of Lake Baikal and the plans for literal reshaping of the earth – using nuclear devices to reverse the flow of major rivers flowing north into the Arctic Ocean and sending them south in an attempt to "revitalize" the Caspian and Aral Seas, the major inland seas. They are not only rapidly being polluted by feeder rivers which are nothing more than open sewers, but so much of their water is being diverted for widescale irrigation and hydroelectric projects that their salinity is rising, their water level is dropping, and there is even the

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possibility that the Aral may dry up altogether. The sturgeon population is so reduced and the caviar production is so low that the Russians are busily inventing artificial caviar, supposedly a conspicuous consumption speciality of decadent capitalists.

All three books demonstrate that conservation is in an equally dismal state. Goldman points out that the number of Soviet nature preserves has decreased by 30% from its peak, and their size has been reduced. The U.S.S.R. has the lowest percentage of total land set aside for preserves and parks of any developed country in the world, and from 1950-66 that figure decreased by 50%. Philip R. Pryde states in his book: "The conservation record of the Soviet Union in the development of its forests and mineral deposits has fallen considerably short of what even Soviet specialists consider desirable." This is also supported by Fred Singleton: "The emphasis upon rapid industrialization throughout the Soviet period has encouraged a prodigal attitude to the destruction of other natural resources that may be affected by the extraction of mineral ores." And "The richness of the [forest resources] has encouraged an attitude of mind in which the pressure to meet immediate production targets has often taken precedence over conservation." This clearly results from the fact that the Soviet state is manufacturer, polluter and policeman, and its priorities lie with increasing production at any cost rather than with conservation.

The Singleton book is more technical, is concerned with the geographical aspects of pollution, and is somewhat more current. However, the conclusion is the same. Case studies cover air pollution by Victor Mote, water pollution in the Black and Azov Seas by Craig Zum Brunner, surface-mined land by Philip R. Pryde, and a concluding chapter on externalities in a command economy by Leonore Shever Taga.

Clean Air through Poverty

Mote's article is of particular interest, and he concludes: "Thus, the relative lack of air pollution in the Soviet Union is not a result of better management but of a still-lagging industrial economy and the relative lack of the automobile." He cites M. Seeger in *The Washington Post* as estimating Moscow has perhaps 360,000 cars (private and official), Leningrad 85,000, and Kiev 19,000. Clean air through poverty

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is hardly praiseworthy! The water pollution problem is astonishingly bad. Both industrial effluents and municipal sewage commonly flow untreated into all the major rivers, with resulting fish kills being common and enormous. Although Soviet law forbids pollution, the fines are often ridiculously small, and may be used for the construction of social clubs rather than pollution abatement facilities. When sewage plants are constructed they usually take 4-6 years for construction, and then may be faulty. The plant at Minsk has been under construction for 10 years, and ". . . after five full years of work, the design organization and the agencies of the Ministry of the Communal Economy still had not produced a blueprint for Mogilev's municipal sewage system." It is little wonder then that fish catches in the Sea of Azov are down as much as ten-fold. As to land-use and stripmining Pryde concludes: "The laws governing stripmined land restoration are quite specific, but . . . these laws are being widely circumvented or ignored."

While all the authors are in agreement that the environmental picture in the U.S.S.R. is dismal, indeed that it is nearly the opposite of that assumed by the conventional wisdom, and although they recognize that there is little if anything that can be done to make it work better, they demonstrate a curious inability to understand exactly why that is the case. And that is vitally important if environmental policy in the U.S. is not to take a disastrous path, for increasingly environmental policy impinges upon economic and even social policy.

The Failure of Collectivity

Singleton says: "The question of why the Soviet Union appears to have no better record than other countries in its treatment of the environment is one to which there is no easy answer." At least there is clear agreement that recent studies have proven that environmental disruption is not a unique characteristic of a market economy. Taga points out: "Traditionally, economists have thought of undesirable environmental disruption as a phenomenon specific to a market economy, arising from the existence of 'externalities'; that is, from the disinclination of individual economic units to take non-priced economic effects of their activities into account. Recently, however, we also have become aware of the presence of the problem in the U.S.S.R. But if the fact of environmental

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disruption in the Soviet Union – and, for that matter, in other countries with Soviet-type economies – is beyond dispute, its explanation is not necessarily self-evident. Why should the phenomenon exist at all in an economic system where the collectivity supposedly exercises close control over the actions of the individual production unit – in a society that has been clearly committed in its own industrialization to avoid the errors and costs of capitalist development?"

If the existence of externalities is the source of environmental problems then no one should be surprised that a socialist state is characterized by continuous, ubiquitous, and insoluble pollution and environmental disruption. As Hayek, Mises, and others demonstrated in the argument over economic calculation under socialism, in the complete absence of a price system there is no way to rationally allocate the means of production. This applies as well to problems of pollution, conservation, and the environment. There is simply no way to measure the costs of environmental disruption, and no way to measure the value of such resources as water, air, wildlife, etc.

Taga does suggest that a partial possible solution ". . . would be appropriate revision of the price system . . . This might be an incentive structure with profits as the main success indicator and appropriate price revisions." Yet as long as all land and resources would be owned by the state, an artificial system of of prices for products would do nothing to allow plant managers to impute the true environmental costs. Taga concludes that ". . . environmental disruption in the Soviet Union has been due in large part to the relatively low priority of environmental protection in the effective preferences of the system suited to fulfillment of the leadership's major goal." Thus he has essentially answered his earlier question regarding the action of the collectivity. The collectivity exercises no control; the Soviet rulers exercise all control. At this late date it is exceedingly naive to believe that the Soviet state acts to achieve the public interest.

Goldman sums up in a similar manner. "In the Soviet government's drive toward industrialization and economic growth all too often there has been no person or group around with any power to stand up for protection of the environment. Until the point is reached when environmental disruption causes other state interests, especially manufacturing and agriculture, to

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lose as much as those in favor of greater exploitation of the environment stand to gain, environmental quality in the U.S.S.R. is in a very fragile condition."

There is, in fact, little hope of ever achieving conservationist and environmentalist goals in a socialist state, as all of the resources of the country are at the command of the rulers and will be mobilized to attempt to meet the goals of the next "five year plan." With all the means of production and all the natural resources owned by the state, this precludes even the possibility of an environmental movement. The printing presses, paper and ink for conservation groups are unavailable. Private nature preserves, parks, refuges, etc., are of course eliminated. As Singleton concludes: "Once the juggernaut has started to roll, it is almost impossible to stop or to deflect it from its onward path."

It is truly astonishing that while for over half a century everyone "knew" that a command economy was environmentally purer than a market economy, the first comprehensive and systematic surveys of experience under such a regime appeared in English just five years ago. Meanwhile environmental policy in the West is largely being guided by an erroneous, outdated, and dangerous paradigm. Hopefully the environmental movement, the activists, the lobbyists, the economists and scientists, as well as the legislators will examine these new studies before developing any further environmental policy or doing any more to transform our system from a market economy to a controlled economy. The environment can be preserved in a free society, and indeed as these recent studies have shown, only in a free society. It may displease many environmentalists that in our society they might have to bear the costs of much of the wilderness they want to see preserved; at least they have the opportunity to do so. We should all be vividly aware of the fate of dissidents in the Soviet Union. Will environmental critics of the market economy, the profit motive, and private property abandon lionization in the press, TV talk-shows, expense account dinners, and foundation conferences for sanitariums, mental asylums, and work camps – especially for an economic and policy system which offers no hope of preserving the environment?

Robert J. Smith

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Soviet Military Power

THE MILITARY BALANCE, 1977-1978. (The International Institute for Strategic Studies, London, 1977, 111 pp., $5.00.)
THE SOVIET MILITARY BUILDUP AND U.S. DEFENSE SPENDING. *By Barry M. Blechman et al.* (The Brookings Institution, Washington, D.C., 1977, 61 pp.)

There has been a remarkable turnabout of opinion in the Western world in the past two years concerning the scope and significance of the observed accumulation of the visible evidence of military power by the Soviet Union. With the exception of prodigious Soviet efforts in the field of strategic nuclear arms, there is little about the Soviet effort which suggests a recent change in intensity. Rather, the accretion of the implements of war is exceptional for the length of time the Soviets have sustained it. They have made steady progress without a sudden burst of effort such as was put forth by Nazi Germany between 1938 and 1940 or the wartime exertions of the United States and Britain. The cumulative impact of the buildup has reached a point where the linkage of such military power to diplomacy can no longer be ignored.

In a letter only one year ago, to the Editor of *The Times* (London), the Director of the International Institute for Strategic Studies, Dr. Chrisoph Bertram, commenting on the Soviet buildup in Central Europe, was sufficiently confident of Western defenses to write, "NATO defense, at the moment, is of a strength that would make a surprise attack, which would have to rely only on the ready forces in East Germany, a major risk and one which the Soviet Union, to judge by its traditional preference for over-insurance, is unlikely to want to take."*

Yet, the 1977-78 edition of the Institute's annual review, *The Military Balance*, now finds that the "Warsaw Pact is intrinsically capable of a much faster buildup of formations in the first two or three weeks [of a conflict], particularly if local surprise is achieved . . . NATO can only attempt to match

* Quoted by Lord Chalfont in one of his regular columns entitled, "As the Arms Balance Tilts Against the West, 'Doomwatching' is Less of a Joke," *The Times* (London), September 6, 1977.

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such a buildup if it has, and takes advantages of, sufficient warning time. . . Only if the crisis develops slowly enough to permit full reinforcement could the West eventually reach a better position." The evidence which supports this observation does not reflect a sudden deployment of additional Soviet forces, or the addition of substantial increments of advanced weapon systems within one year time; it simply reflects the cumulative weight of the monotonic increase in Soviet investment in defense.

In the realm of documenting the accumulation of military power (or the divesting thereof), *The Military Balance* is an annual publication without peer. Published annually for nearly two decades, *The Military Balance* has undergone a slow evolution from a simple catalog of the military inventories of most of the nations of the world to an important source of analysis of the significance of the arsenals for local, regional, and global conflict. *The Military Balance* has been slow to assimilate evidence of changes in force structure, particularly in the Soviet Union, and consequently much of its presentation of Soviet general purpose ("conventional") forces can be misleading to the non-specialist. For example, the Soviet Union has deployed a substantial fraction of the new weapons they have introduced to the Central Front (i.e. the region encompassing East Germany, Czechoslovakia, Poland, and Hungary) at non-divisional levels (e. g. on the Army and Front levels – similar to western Corps and Army Groups) that do not correlate well with divisional level comparisons which are the focus of attention of *The Military Balance*. Similarly, the effect of the introduction of additional units of battalion size to Soviet divisions (without increasing the nominal number of divisions) in Eastern Europe went unacknowledged for some years after the change took place, even though a twenty percent increase in manpower assigned to Soviet forces was the result.

Shortcomings aside, *The Military Balance* remains an essential reference work for general information concerning the world's armed forces. The analytic commentary in the current edition (1977-1978) better reflects the statistical component of the volume than has any of their previous issues. In particular, the Institute's review of the "Theater Balance" in Central Europe, and their (brief) discussion of Soviet defense expenditure are of a vey high order. Perhaps better than any

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other well-established publication, *The Military Balance, 1977-1978* reflects the rapid change in the western consensus on the significance of the increase in Soviet military power in the past two years.

Perhaps the most prestigious bastion of complacency about the evolution in the character of Soviet armed forces has been the Brookings Institution. The energetic efforts made by the Brookings staff, particularly since 1969, to produce defense policy studies on a wide range of subjects from personnel to procurement has made Brookings a major force in the analysis of national security policy. Regular readers of Brookings publications will be surprised to learn that after several years of criticizing American defense efforts as being inconsistent with arms control objectives, the volume reviewed here find that "the strong U.S. reaction [increased defense expenditures by the United States] to the Soviet military buildup may have increased the possibilities for successful arms control negotiations." A half-decade of advice urging the futility of deploying robust defenses to permit "bargaining from a position of strength" or accumulating bargaining leverage through a persuasive determination to deploy more modern weapons is thus dismissed in a sentence. The point is further reinforced: "In all probability, the Soviet Union can be induced to reach a mutually beneficial accommodation with the West only if it becomes convinced that the United States is willing to take the decisions necessary to compete for this [military] power effectively over the long haul." The Brookings Institution, in effect, now advocates the defense posture they so effectively denounced only two years earlier.

Regretably, *The Soviet Military Buildup and U.S. Defense Spending* provides little information which is persuasive to account for such a dramatic reversal of opinion. For example, the section dealing with "The Military Balance in Europe" finds that "modernization of Warsaw Pact forces has been effectively matched by NATO improvements. . . In effect, the current balance of forces is such that neither side could be guaranteed a favorable outcome should war break out in Europe." If these assertions are true, why should additional American (or allied) effort be made, save that needed to offset future Warsaw Pact modernization?

Similarly, Robert P. Berman, in his review of Soviet strategic

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nuclear capabilities, notes the pace and scope of Soviet investment in strategic nuclear weapons, but argues, "the most extreme fear — the potential Soviet capacity to fight and survive a nuclear war — is clearly far-fetched." The author's concern is limited to the observation that apprehension in the West over the possibility that the Soviets may be "gaining the upper hand" could, in itself lead the Soviets " to behave rashly under certain circumstances." In short, a weak case is presented to support a highly important policy change, namely that the United States should in the future compete effectively for military power and diplomatic power through greater investment in our defense apparatus.

The significance of the latest Brookings Institution monograph may be greater as a reflection of a change in attitude toward defense in influential circles than as a technical analysis of defense policy. There is now a far greater consensus about the potentially threatening character of the Soviet armed forces, even if the precise calibration of that threat is in dispute. Moreover, there is now a widely held belief that more resources (implied in *The Military Balance* and stated more explicitly in *The Soviet Buildup and U.S. Defense Spending*) need to be invested by the West if it is to preserve a political-military relationship with the Warsaw Pact which will provide our adversaries with no incentive to threaten or employ military forces in a political crisis with the Western alliance. Because the nature of Soviet political-military doctrine is poorly understood, neither volume provides guidance as to what should be done to offset the diplomatic potential of Soviet military power. Both the Brookings Institution and the IISS, having effectively described and "inventoried" the Soviet military posture, could now devote their talent to some detailed prescription for the future course of Western defense.

William Schneider, Jr.

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The Father of Modern Economics

ADAM SMITH: THE MAN AND HIS WORKS. *By E. G. West* (Liberty Press, Indianapolis, 1976, 254 pp., $6.95.)

THE WISDOM OF ADAM SMITH. *Selected by John Haggarty and edited with an Introduction by Benjamin A. Rogge.* (Liberty Press, Indianapolis, 1976, 233 pp., $7.95.)

". . . Your work ought to be, and I am persuaded will in some degree, become, the commercial code of nations . . . I am convinced that since Montesquieu's *Esprit des Lois*, Europe has not received any publication which tends so much to enlarge and rectify the ideas of mankind . . . ." So wrote Hugh Blair (Minister of the High Church, Edinburgh) to Adam Smith in April 1776, The work, of course, was Smith's *An Inquiry Into the Nature and Causes of the Wealth of Nations*, published on March 9, 1776.

It is for this work that Smith is chiefly remembered, yet his first book (*The Theory of Moral Sentiments*) published in 1759, is just as scholarly and perceptive as the second book. Smith was Professor of Moral Philosophy at the University of Glasgow, a course which consists of Natural Theology, Ethics, Justice, and Political Expediency. Sometimes referred to as the first major economist, or the Father of Modern Economics, he actually was a renaissance man. Besides being widely accomplished in the fields of science, art and philosophy, he was a noted writer on poetry, aesthetics and literary appreciation, and his essays were to be the foundation of a "History of the Liberal Sciences and Elegant Arts." Thus, *The Theory of Moral Sentiments* was based in ethics and philosophy, as compared to the economics of *The Wealth of Nations*.

It is unfortunate that the public's perception of Mr. Smith is generally that he was a dull, dry economist from the 18th century with a dour sense of humor common to most Scots. Nothing could be further from the truth. He was one of the founders of the Oyster Club in Edinburgh in 1774 of which was written, ". . . we have a club here which consists of nothing but philosophers," with ". . . a most enlightened, agreeable, cheerful and social company." (*Adam Smith: The Man and His Works*, p. 239). His sharp sense of humor is prominently displayed

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throughout his writings. He was not reluctant to take pokes at his own profession. "The great secret of education is to direct vanity to proper objects." (*Moral Sentiments*, p. 417).

"Before the invention of the art of printing, a scholar and a beggar seem to have been terms very nearly synonymous." (*Wealth of Nations*, p. 132).

If Smith were alive today, he would be a joy to know. He loved teaching, his lectures were always interesting, and his students admired him. No lover of monopoly was he, whether in business or government, and he was noted for bluntly pointing out the hypocrisy he saw in these institutions from time to time.

A lover of knowledge, good times and friends, but having a special understanding of the working man, Smith was truly a good and virtuous individual. He once said, "In ease of body and peace of mind, all the different ranks of life are nearly upon a level, and the beggar, who suns himself by the side of the highway, possesses that security which kings are fighting for." (*Moral Sentiments*, p. 265.)

E. G. West, a distinguished English economist who is currently a visiting professor in Virginia Polytechnic Institute, has done a good service by revealing to us a little bit more of Adam Smith, and, therefore, he has contributed to a much deserved new appreciation of that Scottish scholar who loved liberty and truth.

Liberty press, in last year's Bicentennial year, brought forth another valuable addition to our knowledge of Smith.

It is entirely fitting that John Haggarty and Ben Rogge have had a hand in publishing this book. Last year the Liberty Fund of Indianapolis decided to honor this great economist by producing the excellent documentary film, "Adam Smith and The Wealth of Nations." Responsible for both the script and direction was John Haggarty, a London-based scriptwriter and playright. The *Glasgow Evening Times* described him as "that special breed known as the Inquiring Scot."

Ben Rogge, Distinguished Professor of Political Economy at Wabash College, served as one of the three technical advisors in the making of the film, and with his wonderful, raspy voice he was also the narrator of the film. Free market film buffs may remember Dr. Rogge as the interviewer of Milton Friedman and Walter Heller at the end of "The Incredible Bread Machine"

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film.

This book is composed of Smith quotes on a myriad of subjects which reveal his sharp wit and the fact that his views are still valid today. For instance . . .

On education: "Those parts of education, it is to be observed, for the teaching of which there are no public institutions, are generally the best taught. When a young man goes to a fencing or a dancing school, he does not indeed always learn to fence or to dance very well; but he seldom fails of learning to fence or to dance." (*Wealth of Nations*, p. 721).

Philosophy: "By nature of a philosopher is not ingenious and disposition half so different from a street porter, as a mastiff is from a greyhound, or a greyhound from a spaniel, or this last from a shepherd's dog." (*Wealth of Nations*, p. 16).

Virtue and Vice: "Hatred and anger are the greatest poison to the happiness of a good mind." (*Moral Sentiments*, p. 92).

Money, gold, and wealth: "It is not for its own sake that men desire money, but for the sake of what they can purchase with it." (*Wealth of Nations*, p. 407).

Monopoly and Free Trade: "The single advantage which the monopoly procures to a single order of men is in many different ways hurtful to the general interest of the country." (*Wealth of Nations*, p. 579).

Taxation: "It ought to be remembered, that when the wisest government has exhausted all the proper subjects of taxation, it must, in cases of urgent necessity, have recourse to improper ones." (*Wealth of Nations*, p. 881).

I can go on and on through the book, but it is apparent that *The Wisdom* of Adam Smith is a most useful and fascinating selection of the writings of the founder of free market economics. An understanding of Smith would not be complete without a copy of this book.

David A. Williams

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A Wider Range of Options for a National Energy Policy

OPTIONS FOR U.S. ENERGY POLICY. *By Albert Carnesale et al.* (Institute for Contemporary Studies, San Francisco, 1977, 309 pp., paper, $5.95.)

One of the most significant factors acting to hinder a fruitful dialogue regarding the future of U.S. energy policy has been the lack of an objective, comprehensive analysis of the pertinent issues. To be sure, analyses abound. For the most part, however, they are either too narrow in scope or are so self-serving as to be totally devoid of credibility. Even government analyses, unfortunately, have proven to be highly partisan in nature. Industry studies, while frequently of questionable accuracy, are generally discounted even when accurate by many policy makers. This is in part due to vague suspicions of "vested interests" harbored within the capital toward anything emanating from the private sector.

It is particularly fortunate then, that in this atmosphere of mutual distrust and rhetoric, a non-partisan research foundation, the Institute For Contemporary Studies has published *Options For U.S. Energy Policy*. Its contributors are all experts in their fields, including such scholars as Henry S. Rowen of Stanford, Robert S. Pindyck and Norman C. Rasmussen of MIT, and Albert Carnesale of Harvard. Covering the entire range of the major energy issues, *Options For U.S. Energy Policy* represents an important contribution to the current energy debate.

In the first chapter of this volume, Henry Rowen addresses the question of what form a comprehensive energy policy should take. While acknowledging the need for such a policy, Rowen also recognizes that its development is not an easy task. He takes exception to the goals of the Carter Energy Plan stating:

> The Plan posits as certain a possible event, a worldwide oil crunch in the 1980s, and offers a strategy poorly matched to its own diagnosis. The extraordinary assemblage of controls and taxes will inflict large costs and

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inequities on the American people and will get in the way of the Plan's principal goal of reduced foreign dependence. Its emphasis on coal threatens more serious environmental damage than would a strategy less biased against gas or oil. By shifting attention to an unlikely 1980s crisis, it risks eroding support over time for the efforts proposed. We can do better than this.

There is little doubt that Rowen's thesis has a ring of truth about it. Similar questions were frequently raised during the recent Senate Finance Committee deliberations on the energy bill.

Rowen does not merely take issue with the President's goals. He then goes on to suggest an alternative which is well worth our consideration:

> A more appropriate set of goals – some of which are incorporated in the Plan and some not – would have us: 1. Meet our essential national security needs. 2. Reduce the large economic losses caused by government control in energy markets. 3. Protect the environment. 4. Carry out energy research and exploratory development. To these four essential goals we can add two more: 5. Seek to reduce the transfer of wealth imposed by the OPEC Cartel, and 6. Insure against the possibility of an oil crisis in the 1980s.

The question raised by Rowen is a crucial one. The goals set forth in the energy program which comes out of this Congress will guide national policy long after Jimmy Carter's term of office ends. The simple fact is that once we are fully committed, it will not be easy to change directions. It is therefore essential that the policies developed address underlying problems rather than short term crises.

One of the ways in which we may be able to meet some of Rowen's set of goals is through the increased development of nuclear power. There are many questions, and unfortunately, much misinformation regarding this energy form. In chapter five, Norman C. Rasmussen and David Rose address "Nuclear Power: Safety and Environmental Issues." Early on, the authors make a particularly important point:

> There is a tendency in discussion on nuclear safety to talk about the worst possible accident, forgetting about its low probability of occurrence, and further to

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> assume that all nuclear accidents would be of this type. Curves generated by this study show that this is not correct. . . Thus even if the absolute probabilities should turn out to be wrong, the chance of seeing a large accident before seeing small ones is very small. As noted earlier, to date, no power reactor has had a core melting accident.

The reason this point is so important is that one result of the focus on large accidents is the tendency on the part of many people to associate nuclear energy with nuclear weapons. This, of course, is an invalid comparison. In fact, as the authors indicate,

> . . . the risks associated with uranium mining dominate all others (with some caveats and possible exceptions noted below). Even the radiation risk (from radon, produced by the decay of the small amount of radium that in turn comes from thorium-230 in the ore) exceeds all other occupational radiation risks connected with nuclear power, and the public risk from radon also dominates. . .

In their conclusion, the authors compare nuclear power with other energy systems. They point out that while conservation would provide the cheapest answer to the energy problem, shortages of oil and natural gas will likely force the adoption of both coal and nuclear energy to meet the demand. In discussing the relative merits of these two energy sources they conclude:

> In the long term, burning much of the Earth's fossil fuels in the next few generaltions will probably cause more harm. When the fuels are gone, any civilization so dependent on them will suffer agonies of withdrawal, and the climatological effects of CO2 will remind it of its past profligacy for a long time. . . . The general health and environmental impacts of a normally functioning nuclear system are much more benign than those of coal, and that is probably true even for a 'clean coal' economy. Every substantial analysis shows this.

They note, however,

> This unflattering view of coal should not be read as any cause for complacency about nuclear power; rather, it points out that we know a great deal more about the effects of ionizing radiation and what goes on in the

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interior of a nuclear fuel pellet than we do about the effects of chemical effluents in our environment and what goes on during the oxidation of a piece of coal.

The other authors of *Options For U.S. Energy Policy* present thoughtful and credible analyses similar to the two discussed above. For the policy maker, this volume is an essential tool, for the interested layman it is a thorough introduction to the issues and some possible solutions. There can be little doubt that *Options For U.S. Energy Policy* will have a major impact on the current energy debate.

Milton Copulos

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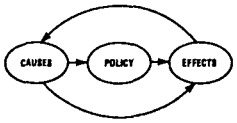

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New Books and Articles in Public Policy

George W. Ball

"Asking for Trouble in South Africa" (*The Atlantic*, October 1977).

Raoul Berger

Government By Judiciary (Harvard University Press, Cambridge, 1977, $15.00).

Michael J. Boskin, *et al.*

The Crisis in Social Security: Problems and Prospects (Institute for Contemporary Studies, San Francisco, 1977, $5.95).

Donald G. Brennan

Arms Treaties with Moscow: Unequal Terms Unevenly Applied (National Strategy Information Center, Inc., New York, 1977).

B. Bruce-Briggs

" 'Child Care': The Fiscal Time Bomb" (*The Public Interest*, Fall 1977).

Stephen Carter

The Politics of Solzhenitsyn (Macmillan, London, 1977) is a Sovietologist's attempt to review Solzhenitsyn's contribution to our understanding of communism by a close textual analysis of all his works. Carter's work is thorough, balanced and sympathetic.

Martha Derthick

Uncontrollable Spending for Social Service Grants (The Brookings Institution, Washington, D.C., 1975, $2.50 paper).

John de St. Jorre

"South Africa: Up Against the World" (*Foreign Policy*, Fall 1977).

Donald Dworkin

Taking Rights Seriously (Harvard University Press, Cambridge, Mass., 1977) is a confused series of essays on the 'Human Rights' issue as it applies to minorities in the United States. Utterly unoriginal.

Douglas Eden

"Liberty and the Closed Shop" (*Crossbow*, 240 High Holborn, London, WC1, 1977). Eden, the Secretary of the Social Democratic Alliance (a group within the Labor Party opposed to Marxism) argues the case against giving unions the right to bar people who choose not to join unions from getting jobs. *Crossbow* is a stimulating quarterly published by the Bow Group, an independent research society of younger Conservatives. It is edited by a bright young historian and BBC producer, Patricia Hodgson.

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Tim Engel
"OSHA: An Overview" (American Conservative Union, Washington, D.C., 1977, $1.00).

William Fellner
Contemporary Economic Problems 1977 (American Enterprise Institute, Washington, D.C., 1977).

Roger W. Fontaine
"The End of a Beautiful Relationship" (*Foreign Policy*, Fall 1977).

Peter D. Fox
"Options for National Health Insurance: An Overview" (*Policy Analysis*, Winter 1977).

Roger Freeman
Growth of American Government (Hoover Institution, Stanford, 1977, $1.00).

Jeffrey B. Gayner
"Withdrawal of U.S. Forces from South Korea" (*Journal of International Relations*, Summer 1977).

Frank Gibney
"The Ripple Effect in Korea" (*Foreign Affairs*, October 1977).

Sir Ian Gilmore, M.P.
Inside Right: A Study of Conservatism (Hutchinson, London, 1977) offers reflections on the obtuse question of a definition of 'Conservatism' made even more interesting because Sir Ian is currently a senior Shadow Cabinet member in Mrs. Thatcher's Conservative Party. Sir Ian warns against an overly dogmatic stance for British conservatism and calls in aid both the traditions of his party and the great conservative thinkers of previous generations. Not surprisingly for the leading liberal Conservative in Britain Sir Ian is committed to the 'middle ground' as a Conservative electoral aim — a contentious point nowadays amidst the revival of classical liberal economics from within his own party. (A longer review of *Inside Right: a Study of Conservatism* will appear in the next issue.)

Frank Goble
Beyond Failure: How to Cure a Neurotic Society (Green Hill Publishers Inc., Ottawa, Illinois, 1977, $10.00).

Dan C. Heldman
American Labor Unions (Council on American Affairs, Washington, D.C., 1977, $5.00).

Harold C. Hinton
The Sino-Soviet Confrontation (Crane Russak & Co., N.Y., 1977, $2.95 paper).

Amoretta Hoeber, Patrick Parker, and William Van Cleave
"Reality and SALT" (*Journal of International Relations*, Summer 1977).

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Francis P. Hoeber
Slow to Take Offense: Bombers, Cruise Missiles, and Prudent Deterrence (Center for Strategic and International Studies, Georgetown, 1977).

T. W. Hutchison
Keynes v. the 'Keynesians' . . . ? (The Institute of Economic Affairs, London, 1977).

Irving Kristol
"A Regulated Society?", *Regulation: AEI Journal on Government and Society*, July/August 1977. The distinguished co-editor of *The Public Interest* has contributed the lead article to the first issue of a new policy studies journal published by the American Enterprise Institute for Public Policy Research and edited by Anne Brunsdale. Subscriptions are $12 for one year, obtainable from AEI, 1150 17th St., N.W., Washington, D.C., 20036.
"Looking Back on Neo-Conservatism: Notes and Reflections" (*The American Spectator*, November 1977).

Howard Leichter
"Comparative Public Policy: Problems and Prospects" (*Policy Studies Journal*, Special Issue, 1977).

Theodore Levitt
"Corporate Responsibility: Taking Care of Business" (*The American Spectator*, November 1977).

Jay Lovestone
" 'Euro-communism' — Roots and Reality" (*Journal of International Relations*, Summer 1977).

Walter J. Mead
An Economic Appraisal of President Carter's Energy Program (International Institute for Economic Research, Los Angeles, 1977).

Roger Morris
"Jimmy Carter's Ruling Class" (*Harper's*, October 1977).

Daniel P. Moynihan
"The Politics of Human Rights" (*Commentary*, August 1977).

Albert L. Nichols and Richard Zeckhauser
"Government Comes to the Workplace: An Assessment of OSHA" (*The Public Interest*, Fall 1977).

Norman Podhoretz
"The Culture of Appeasement" (*Harper's*, October 1977).

James F. Ragan, Jr.
Minimum Wages and the Youth Labor Market (The Center for the Study of American Business, St. Louis, 1977).

Leonard Reed
"Firing a Bureaucrat: The Impossible Dream" (*Conservative Digest*, November 1977).

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Martin Rein and Sheldon H. White
"Can Policy Research Help Policy?" (*The Public Interest*, Fall 1977).

Jean Francois Revel
"A Note on Eurocommunism" (*The Alternative*, June/July 1977).
The Totalitarian Temptation (Doubleday, New York, 1977) is an incisive anti-stalinist treatise by a French socialist. Not content simply to unmask the totalitarian impulses behind European socialism and communism, Revel surprisingly and positively approves of the capitalist West and the economic system of the United States in particular. He makes the obvious (though little stated) point that political democracy and capitalism are inseparable; and the more original assertion that capitalism is morally superior to other forms of economic organisation. He re-states his view, proferred in his earlier work, *Without Marx or Jesus*, that the United States is the only truly revolutionary society — a notion which has annoyed many of his European critics.

William F. Rickenbacker and Lewis K. Uhler
A Taxpayer's Guide to Survival (The National Tax Limitation Committee, Washington, D.C., 1977, $1.95).

Murray N. Rothbard
"Robert Nozick and the Immaculate Conception of the State" (*The Journal of Libertarian Studies*, January 1977).

Bayard Rustin and Carl Gershman
"Africa, Soviet Imperialism, and the Retreat of American Power" (*Commentary*, October 1977).

Captain Paul B. Ryan, USN (Ret.)
The Continuing Controversy: Panama Canal Diplomacy and U.S. Interests (Hoover Institution-American Enterprise, Stanford, 1977).

Alan Ned Sabrosky
Blue-Collar Soldiers? (Foreign Policy Research Institute, Philadelphia, 1977, $5.95).

"A Symposium on SALT"
The Journal of International Relations (Washington, D.C., Fall 1977). The entire issue is devoted to a discussion of the SALT treaty.

Wilson E. Schmidt
The Night We Floated (International Institute for Economic Research, 1977).

William Schneider, Jr.
"Soviet General-Purpose Forces" (*Orbis*, Summer 1977).

Arthur Seldon
Charge (Maurice Temple Smith, London, 1977) sets out the case for private provision of education, medicine, housing and for a wide-range of other personal services. Seldon writes with clarity and common sense in an area befuddled by myths. A challenging attack upon the very ethos of an age; but part of the increasingly celebrated Institute For Economic Affairs contribution to radical thinking in economics.

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Gaston J. Sigur
"Northeast Asia: Area of Confrontation or Accommodation?" (*Orbis*, Spring 1977).

Lawrence B. Smith and Michael Walker
Public Property? The Habitat Debate Continued (The Frazer Institute, Vancouver, 1977).

Tad Szulc
"The Death of Eurocommunism" (*The New Republic*, October 8, 1977).

The Tax Foundation
Facts and Figures on Government Finance (The Tax Foundation, New York, 1977, $10.00).

James D. Theberge
The Soviet Presence in Latin America (National Strategy Information Center, New York, 1977).

Stephen J. Tonsor
"The Second Spring of American Conservatism" (*National Review*, September 30, 1977).

Sanford J. Ungar
"J. Edgar Hoover Leaves the State Department" (*Foreign Policy*, Fall 1977).

U.S. News and World Report
"Russia's 60 Years of Communism" (*U.S. News and World Report*, October 24, 1977).

Michael Walker
Which Way Ahead? Canada after Wage and Price Control (The Frazer Institute, Vancouver, 1977, $4.95).

"Who's Who in the Carter Administration"
The Washington Monthly, May 1977). This very lively and informative Washington-based journal includes a new regular feature every month . . . an up-to-date listing of the new appointees with some brief (and sometimes pungent) biographical data. A very useful public service.

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